



**CHỨNG KHOÁN DẦU KHÍ**  
PETROVIETNAM SECURITIES INC.

**PSI**

# MARKET OUTLOOK 2024

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**RIGHT STOCKS AT THE RIGHT TIME**





CHỨNG KHOÁN DẦU KHÍ  
PETROVIETNAM SECURITIES INC.

# MACROECONOMIC OUTLOOK AT A GLANCE





## INFLATION IS LOWER BUT THE WORLD ECONOMIC PROSPECTS HAVE NOT IMPROVED

- Global production activities have been shrinking, but the rate of contraction is gradually decreasing and may hit the "bottom" in the fourth quarter of 2023 before recovering in 2024.
- Inflation in the US and Europe cooled down, causing central banks to temporarily stop raising operating interest rates create a strong foundation for Central Banks to cut rates in early 2024.
- World economic growth in 2024 is forecast to reach only 2.9%, lower than 2023, but inflation will gradually move to the target set by central banks. Therefore, we expect the FED and ECB to lower interest rates in 2024.

## VIETNAM ECONOMY 2023 GROW SLOWLY BUT IS EXPECTED TO ACCELERATE IN 2024

- GDP for the whole year 2023 is estimated to accelerate by 4.7%-5%. The slow growths of industry and construction are the main reasons "pulling back" economic growth.
- Consumption is the driving factor for growth in 2023 and 2024. The recovery of the tourism industry is forecast to lead to consumption growth, although tourist spending tends to decrease compared to the Pre-pandemic levels.
- Trade surplus in 11 months reached 25.35 billion USD but total import-export turnover shrank by 7.65% YoY. We expect import and export activities to improve in 2024 owing to growth in both domestic and foreign consumer demand as purchasing power increases.
- Inflation and exchange rates are well controlled in 2023. Vietnam's interest rates in 2023 decreased sharply and is expected to remain at a low level throughout 2024.

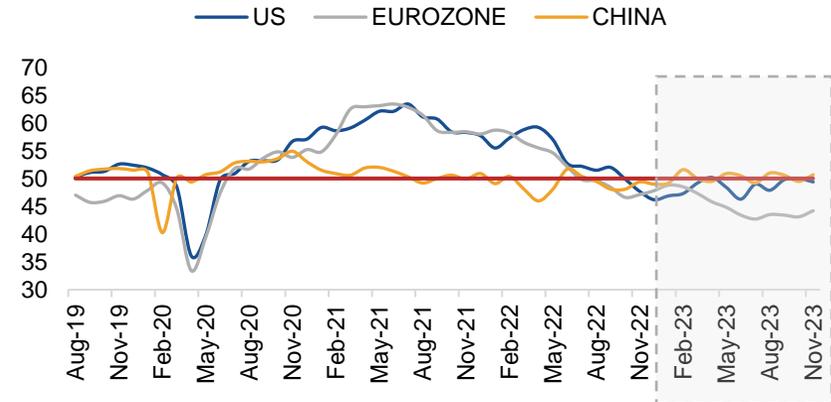
# GLOBAL MACROECONOMIC IN 2023

## ECONOMIC GROWTH SLOWED

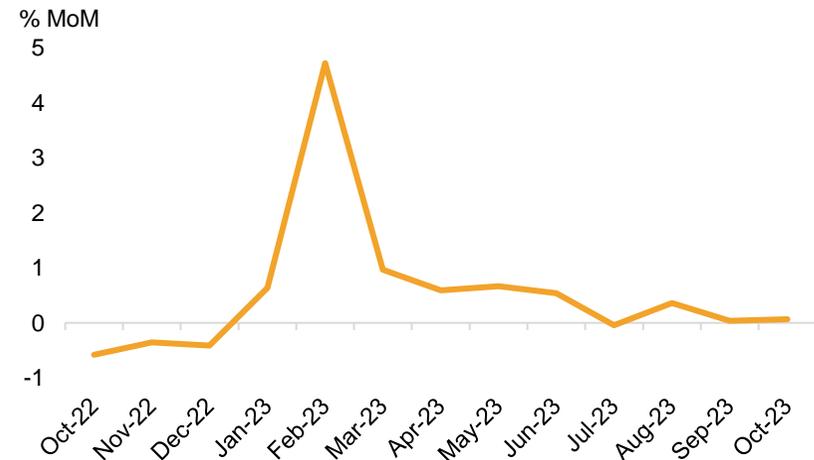
**Global manufacturing activity has been shrinking but the rate of decline is slowing down.** J.P.Morgan Global Manufacturing PMI index was below 50 points for the 15th consecutive month but expectation for future output increased, showing a optimistic sentiment among manufacturers. Despite unclear prospect, we believe that the global manufacturing industry may "bottom" in the fourth quarter of 2023 before recovering at a modest pace in 2024.

**Consumption growth in the US slowed down in the final months of the year after a booming summer.** Persistently high inflation and interest rates have eroded the real purchasing power of consumers in the US. Fears of an economic recession also cause Americans to spend less for the approaching holiday season while increasing their savings rate. October retail sales figures increased by 1.6% YoY, decreasing, nonetheless, by 0.2% over the last month. **In China, retail sales of goods increased quite slowly month-on-month but increased 6.9% YoY by the end of October.** However, the consumer confidence index in this 1.4-billion-people market has had its 19th consecutive month below 100, showing that Chinese consumers are not really optimistic regarding the short-term economic prospects in the context of Real estate businesses and local governments in China are still mired in debt.

**Manufacturing activity has been shrinking but may hit the bottom in 4Q2023**



**China's retail sales grow slowly MoM**



Source: National Bureau of Statistics of China

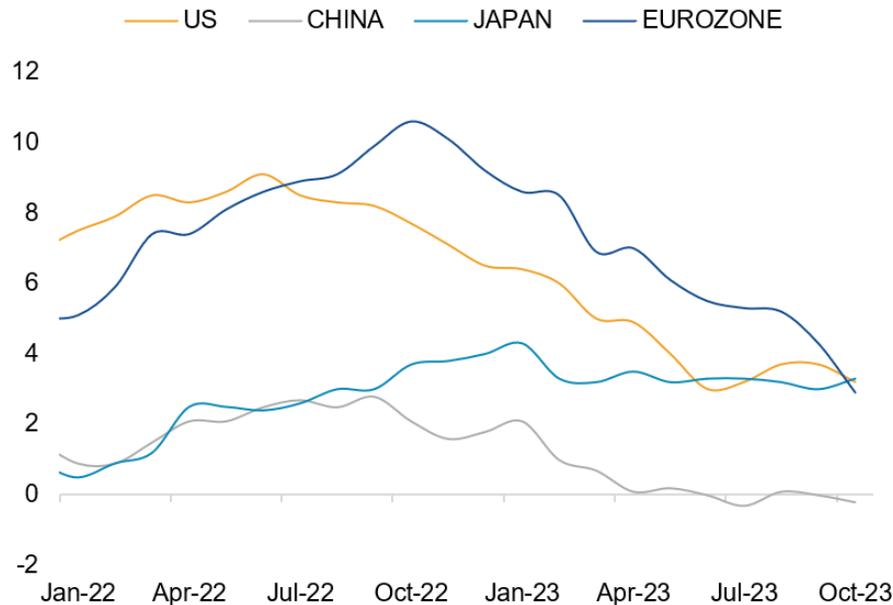
# GLOBAL MACROECONOMIC IN 2023

## THE END OF THE FIGHT AGAINST INFLATION IS NEAR

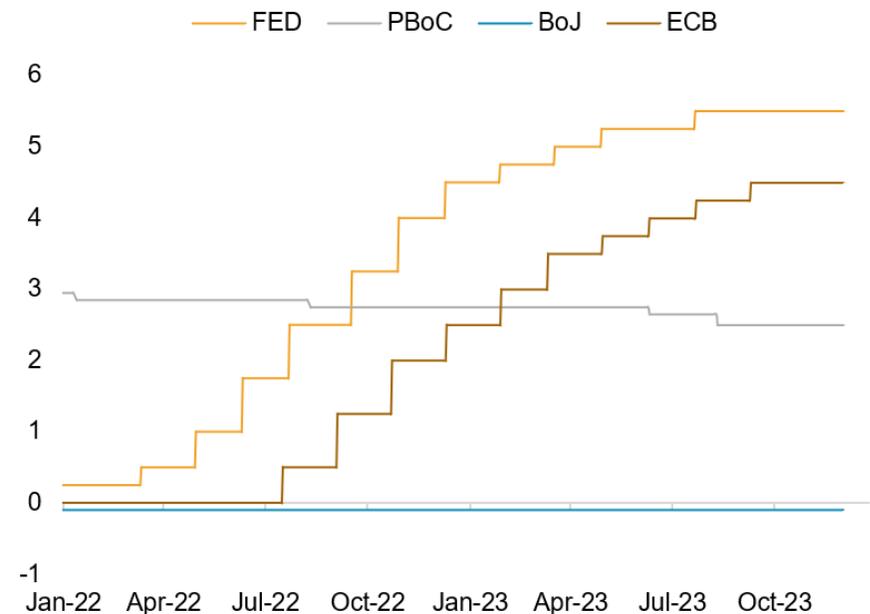
**Inflation drastically cooled down owing to central banks' monetary tightening efforts**, however, in most countries, inflation is still higher than the long-term target. US CPI in October dropped to 3.2% compared to 3.7% in the previous month. In Europe, October CPI only increased by 2.9%, the lowest level since August 2021. Although the long-term target has not been reached, inflation is on the right track and is the solid foundation for central banks to consider reversing the monetary policies tightening and avoiding "strangling" economic growth due to Prolonged high interest rate environment .

**The FED and ECB, respectively, stopped raising interest rates in August and September this year when inflation data showed a more stable downward trend.** Therefore, the FED and ECB ceased raising interest rates and are preparing for the transition to the process of reducing interest rates.

**Inflation cooled down owing to central banks' efforts**



**The FED and ECB ceased raising interest rates**



Source: Bloomberg

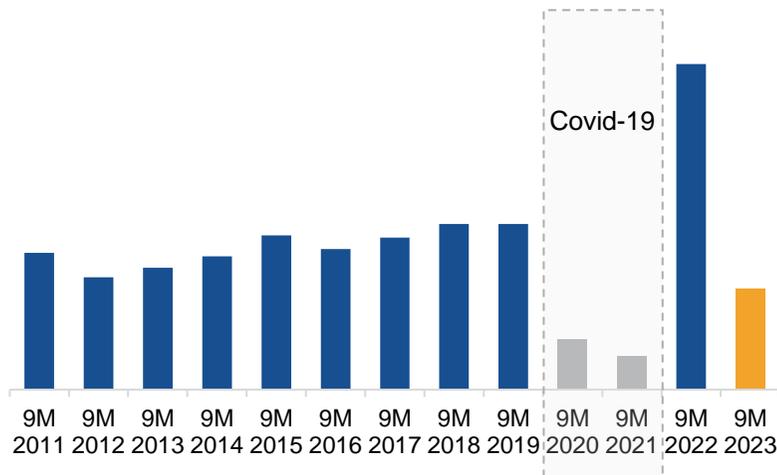
# VIETNAM ECONOMY IN 2023

## INDUSTRIAL PRODUCTION STAGNATES

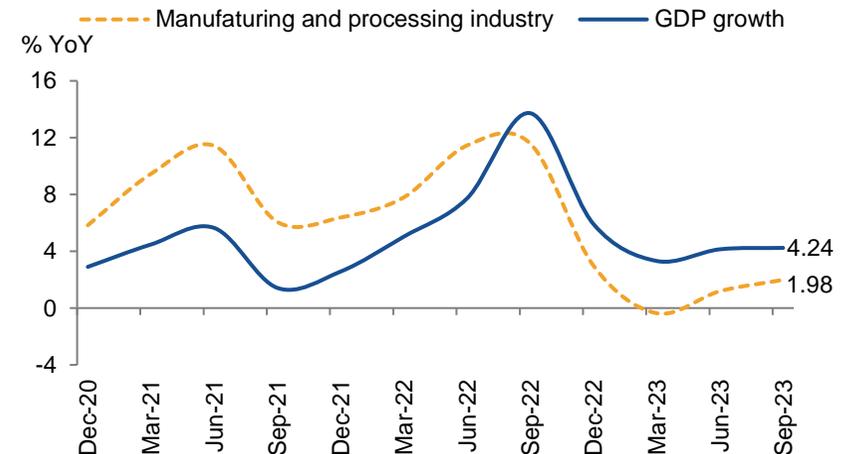
**Economic growth might not reach the target of 6.5%.** We estimate Vietnam's GDP growth to only reach 4.7%-5% in 2023. Vietnam's GDP in the first 9 months of 2023 only increased by 4.24% YoY, far below the National Assembly's economic growth target. The economic growth rate in the 9 months of 2023 is also at the lowest level during the period 2011-2023 if not considering the two years 2020 and 2021, which were heavily impacted by COVID-19.

**The stagnation of industrial production is the main reason for slow economic growth.** The accumulated 11-month industrial production index only increased by 1% YoY. In particular, key industries such as automobile, transport vehicles assembly, phone and computer, electronic components production and light industries such as garments have had 11 consecutive months of negative growth since the beginning of the year. In addition, the number of new orders, both domestic and foreign, decreased in November after 4 months of recovery, still showing no sign of a strong rebound in the short run and uncertainties are remaining for domestic manufacturing industry.

**Lowest GDP growth in the period 2011-2023 excluding 2 years affected by Covid-19**



**Industrial production "pulled back" economic growth rate**



Source: GSO

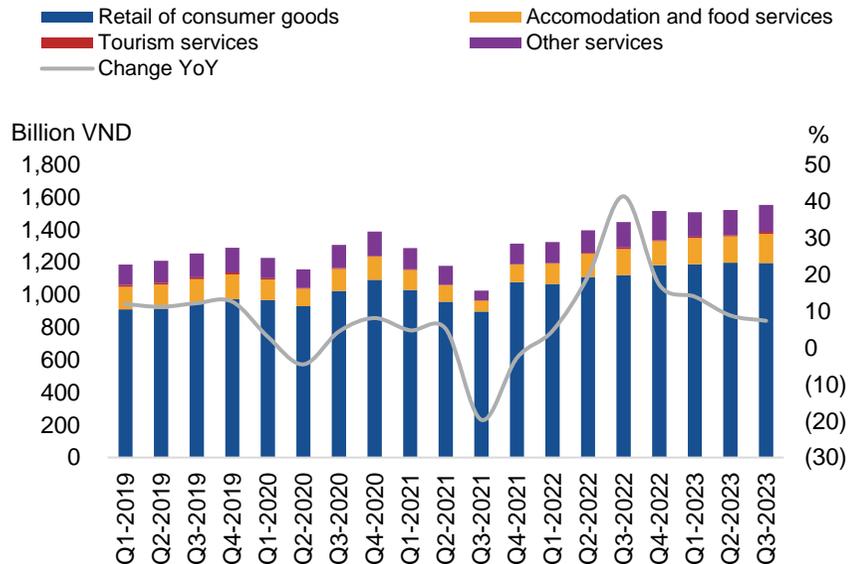
# VIETNAM ECONOMY IN 2023

## CONSUMPTION IS THE MAIN DRIVER OF ECONOMIC GROWTH

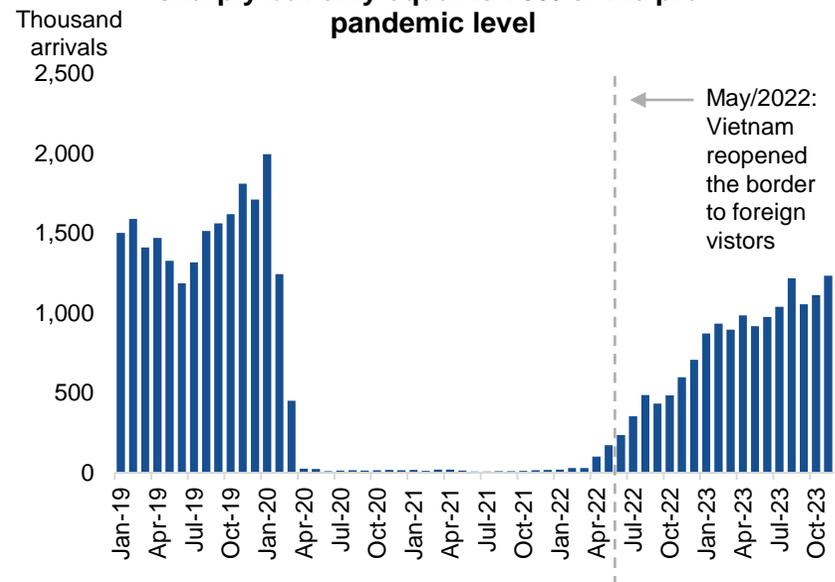
**Retail of consumer goods and services plays the leading role in economic growth.** Overall, for 11 months, Vietnam's retail sales of consumer goods and services increased by 9.65% YoY. Particularly, services related to tourism, travel, accommodation and dining contribute a major part to the growth rate.

**The recovery of tourism, especially the return of international tourists, has boosted consumption growth.** The number of international visitors to Vietnam after 11 months of 2023 is roughly 11.2 million, 3.8 times higher than the same period last year. Tourism growth in the first 11 months of 2023 has led to the recovery of accommodation, food and beverage services (+15.34% YoY) and travel services (+50.52% YoY). However, the difference between the growth of travel services, the number of passengers coming to Vietnam and the growth of accommodation and food services signals a downtrend in tourists' spending behavior.

### Monthly retail of good and services



### International visitors to Vietnam increased sharply but only equal to 70% of the pre-pandemic level



Source: GSO



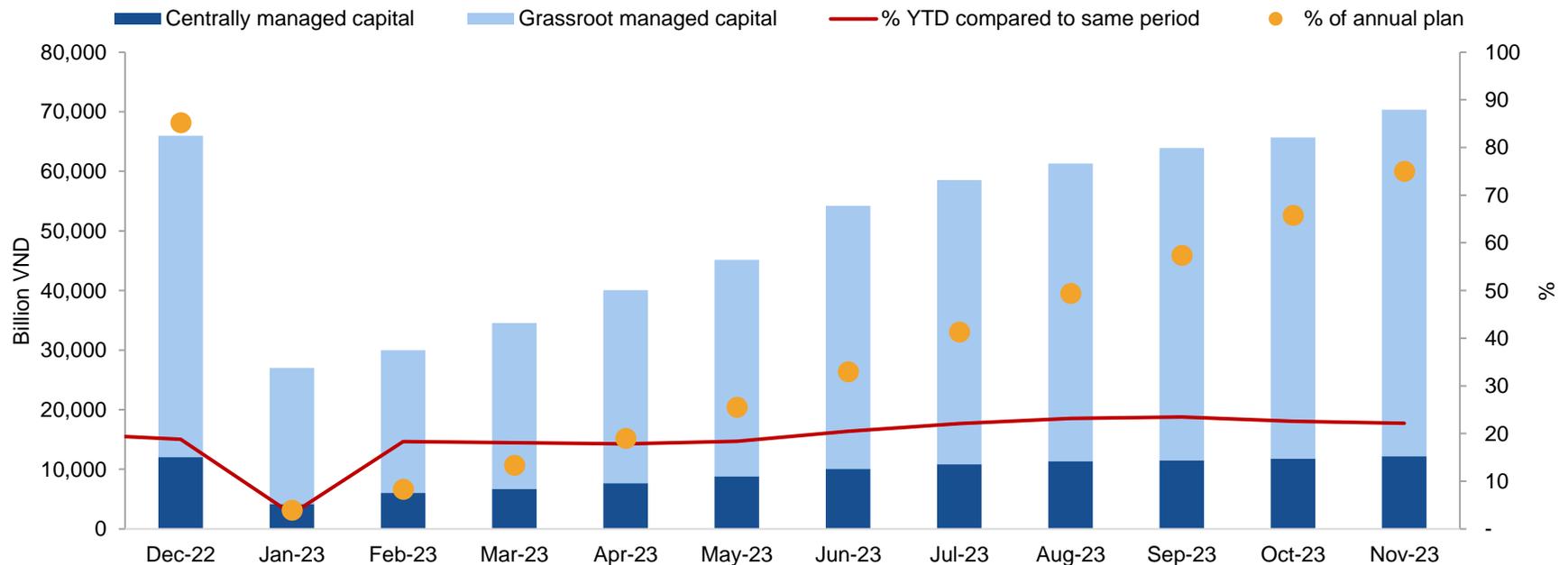
# VIETNAM ECONOMY IN 2023

## DISBURSEMENT OF PUBLIC INVESTMENT IS PROMOTED

The value of public investment disbursement grew positively over the same period. Overall, in the first 11 months of the year, the value of disbursement of conventional investment reached 549,145 billion VND, an increase of 22.1% YoY and equal to 75% of the 2023 plan. Public investment disbursement activities in the last months of the year were promoted. In November, the value of public investment disbursement reached 70.3 trillion VND, 40% higher than the average for the first 11 months of 2023.

We expect that, under the Prime Minister's order, the public investment disbursement rate in 2023 will reach approximately 90% of the year's plan, equivalent to roughly 660 trillion VND.

Disbursement of public investment has been promoted



Source: GSO

# VIETNAM ECONOMY IN 2023

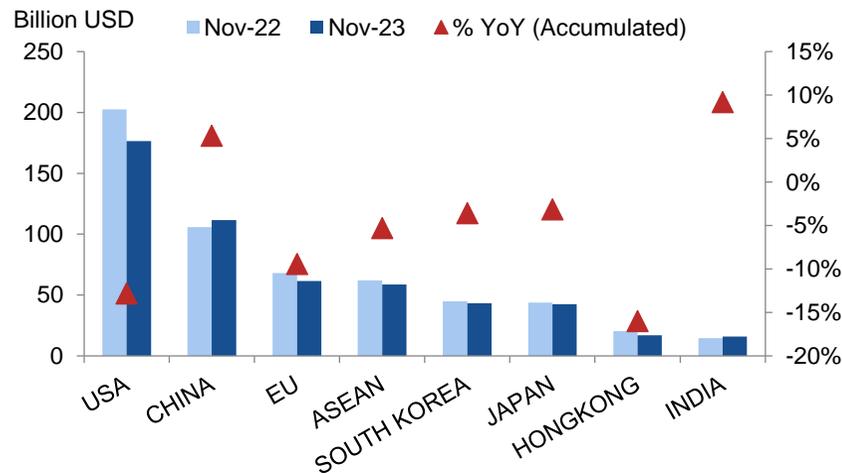
## RECORD TRADE SURPLUS BUT NOT NECESSARILY A GOOD SIGN

**Total import-export turnover in the first 11 months of 2023 reached 612.15 billion USD, down 7.65% YoY.** Weak demand from main export partners such as the US, EU, Japan, and Korea has caused Vietnam's export value in the first 11 months of 2023 to decrease by 5.64% over the same period. Import activities decreased sharply, with year-on-year decrease of 9.71%, mainly due to domestic manufacturers' ceasing of import of production input materials in the context of decrease in the number of new orders.

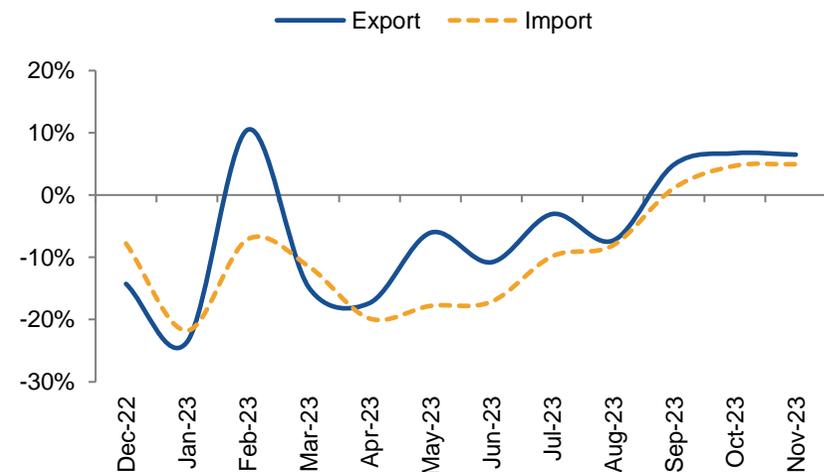
The trade surplus, therefore, reached a record level of 22.35 billion USD. The mentioned record surplus, though will be a solid cushion to stabilize exchange rates, does not reflect a positive export situation. Despite having been recovering since September, import and export activities still grow weakly even though the last quarter of the year is usually the peak season for international trade activities.

**Among Vietnam's top 5 main export markets, China is the only market witnessing positive growth.** Other major markets such as the US, EU, ASEAN, Japan, and Korea all recorded lower export values over the same period.

**Export turnover decelerates in most major markets**



**International trade witnessed negative growth over the same period**



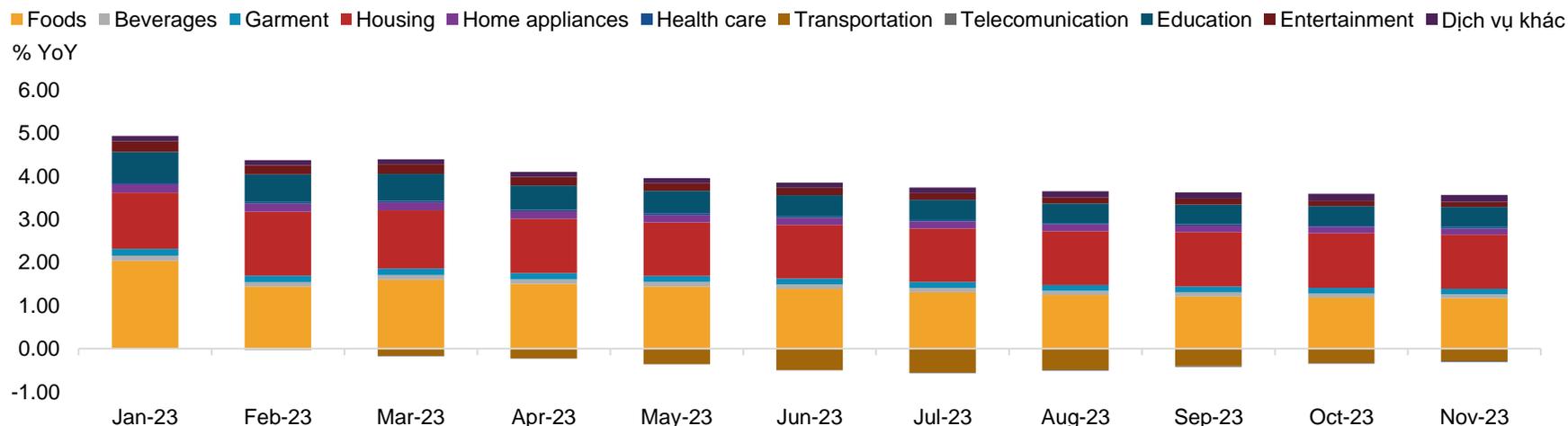
# VIETNAM ECONOMY IN 2023

## INFLATION IS CONTROLLABLE

**Inflation cooled down and gradually stabilized month by month.** The CPI index, after increasing to 4.89% in January, has slowed and barely increased month-on-month in the last 5 months. Inflation in the last 6 months was mainly contributed by the increase in food prices (+6.17% YoY), rising construction material prices caused housing costs increased by 6.67% YoY. Education cost is the one with the strongest growth rate for 11 consecutive months (+7.35% YoY) due to the increasing tuition. On the contrary, the decrease in gasoline prices YoY has helped reduce transportation costs (-2.94% YoY) and is the factor that has the most positive impact on CPI in 2023.

**Accumulated for 11 months, CPI increased by 3.22% YoY.** In particular, the cost of housing and construction materials and the cost of food and catering services contributed a total of 2.43 percentage points to the increase in CPI. Although education cost increased the most, its proportion in the basket of goods was relatively small, so only contributing 0.45 percentage points to the overall CPI. Costs for transportation and postal and telecommunications decreased and contributed to the 11-month CPI a reduction of 0.31 percentage points compared to the previous year.

**Contribution of each group of goods to CPI in 11 months of 2023**



Source: GSO

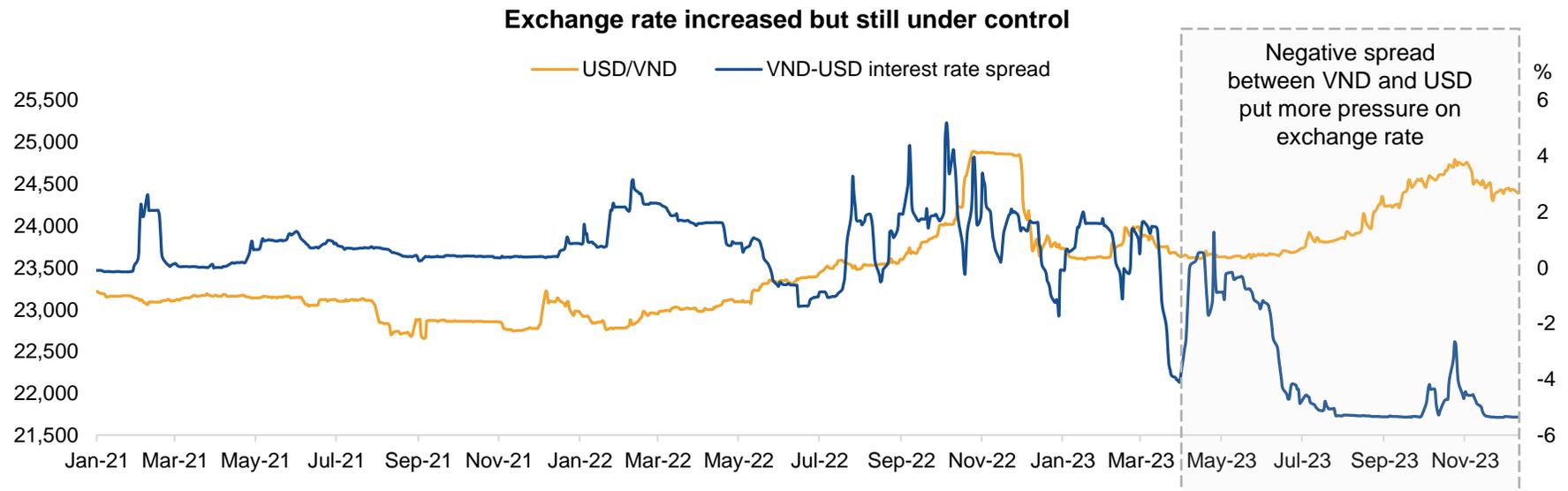


# VIETNAM ECONOMY IN 2023

## EXCHANGE RATE INCREASED BUT STILL UNDER CONTROL

The exchange rate is under pressure because SBV and FED are "going in opposite directions". USD/VND exchange rate has increased by 3.3% since the beginning of the year. The increase is not too large, but the pressure to increase the exchange rate has concentrated in the second half of the year after the domestic interest rate dropped sharply, causing the local currency to weaken relatively to the USD, which is still maintained at high interest rates.

In spite of strong fluctuations in the third and the fourth quarter, the exchange rate has stabilized and decreased slightly in November. Export activities improvement during the last 4 months and trade surplus of over 25 billion USD are the basis for the State Bank to stabilize the exchange rate. In addition, the cooled-down inflation and the cease of interest rate increase of FED in the last two meetings have diminished the exchange rate pressure to some extent. We expect the exchange rate at the end of 2023 to increase by approximately 3.5% compared to the beginning of the year.



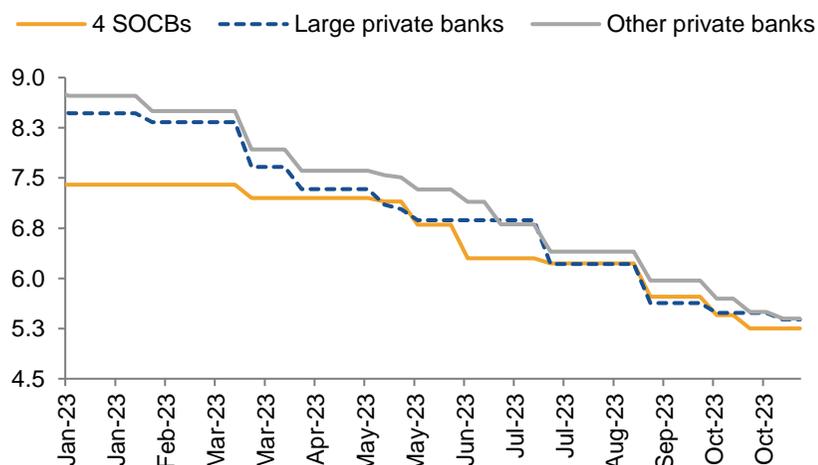
# VIETNAM ECONOMY IN 2023

## LOW RECORD OF INTEREST RATE, CREDIT GROWTH IS DIFFICULT TO REACH TARGET

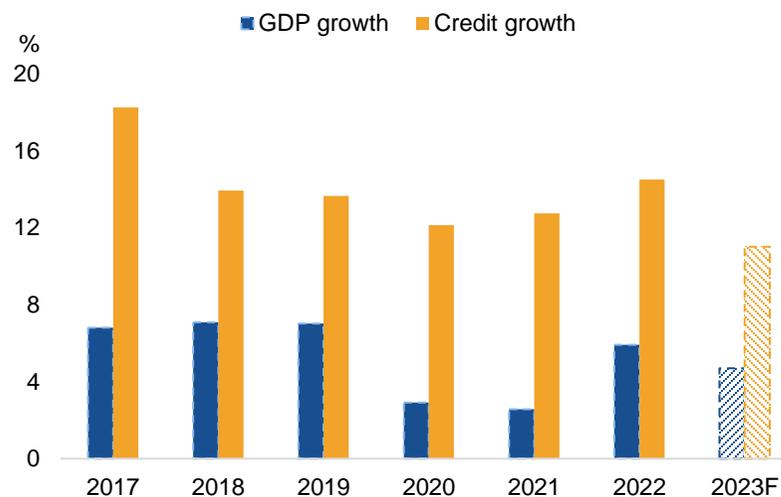
**Interest rates of commercial banks are lower than the pandemic period.** The State Bank's management efforts and improvement in banking system liquidity have caused commercial banks' savings interest rates to be lower than the "cheap money" period during the pandemic years. The 12-month term mobilization interest rate of State-owned commercial banks has been revised down to only 5.3%/year, 20bps lower than the "cheap money" period. Lending interest rates, therefore, have a basis to decrease significantly; lending interest rate for new loans has decreased by about 300bps compared to the beginning of 2023.

**However, credit growth was much lower than expectations.** By the end of 11 months, credit growth only reached 9.15%. Despite the declining interest rate, the economy's capital demand was relatively low since most manufacturing enterprises have been struggling. The real estate sector, which accounts for nearly 30% of the economy's credit demand, has been having difficulty getting loans because of loan condition unfulfillment, causing credit growth to lack momentum. Therefore, we estimate that credit growth for the entire economy in 2023 will reach about 10%-11%, a growth rate consistent with the forecast of approximately 4.7%-5% GDP growth.

### 12-month savings interest rate dropped sharply



### Credit growth and GDP growth



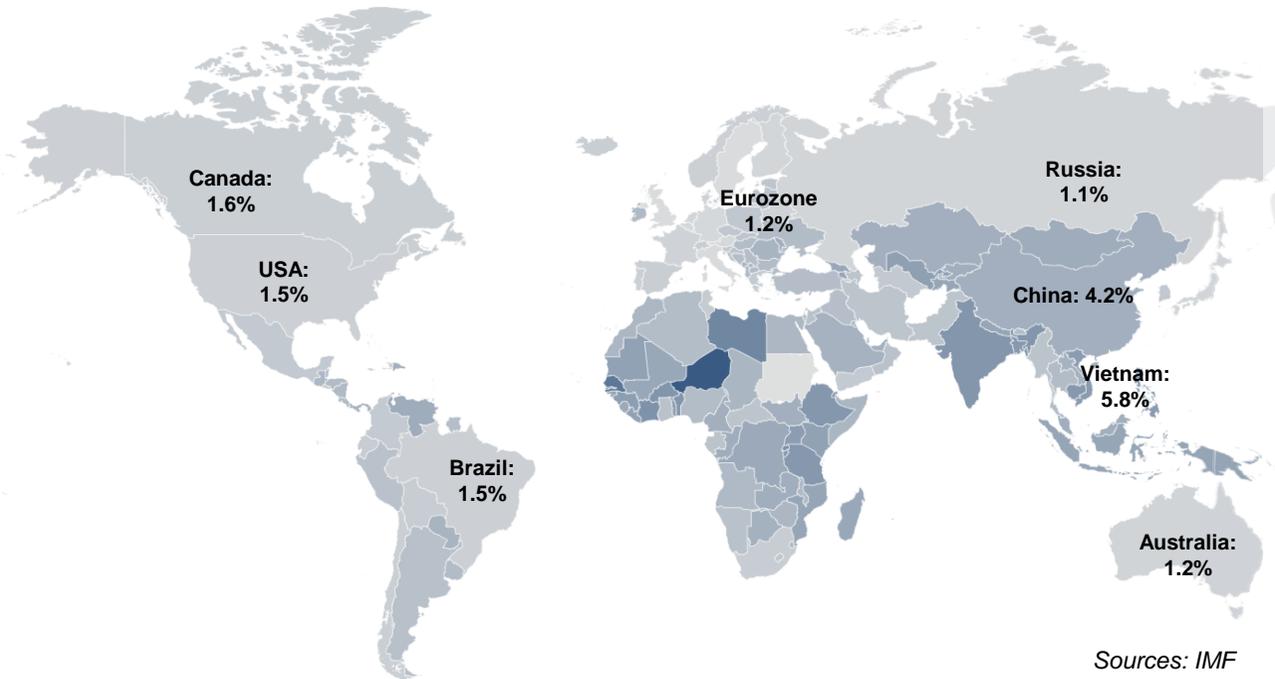
Source: PSI research and forecast



# 2024 GLOBAL MACROECONOMIC OUTLOOK

## PERSISTENCE OF NUMEROUS CHALLENGES

### World Economic Growth in 2024



The **World Economic Outlook 2024** by IMF updated in October 2023 forecasts global economic growth to reach 2.9% in 2024, lower than the average level of 3.8% observed during 2000-2019 period. Specifically, growth among developed countries is projected to be 1.4%, lower than the level of 2.6% level in 2022 and 1.5% in 2023.

- **For the US:** Forecasted growth rate for 2024 is 1.5%, increasing 0.5 ppt compared to July update. The slower inflation increase and the possibility of FED lowering interest rates in the first half of 2024 can provide additional momentum for US economic growth in the context of slowing wage increases, decelerating consumer spending, and an increasing household savings rate.

- **Eurozone:** 2024 growth rate is projected to be 1.2%, improving sharply from the 0.7% level seen in 2023. The negative impacts of the Russia-Ukraine conflict and the COVID-19 pandemic were reflected in the economic situation of the previous year. Sectors such as services and tourism are anticipated to make positive contributions to the overall growth of this region.
- **Emerging & developing Asia:** expected growth rate is 4.8% in 2024. The growth rate for China is projected downward from 5% in 2023 to 4.2% next year due to economic crisis, particularly in real estate sector. Conversely, India is forecasted to continue maintaining a positive growth outlook, reaching 6.3% due to a recovery in consumer demand since the second quarter of 2023.

# 2024 GLOBAL MACROECONOMIC OUTLOOK

## POLICY RATES CUT DOWN BASED ON LOWER EXPECTED INFLATION

**Inflation is expected to be eased in 2024.** According to OECD, global inflation will gradually decline but is expected to remain higher than the target rates set by central banks. Tightened monetary policies are deemed necessary in most advanced economies until inflation decreases sustainably.

Despite the validity of tight monetary policies for a period, significant risks persist for many economies.

- The debt repayment capabilities of businesses and individuals have not been yet assured, potentially causing certain disruptions to the financial system.
- Economic growth slows down leading to weakening global demand for goods and services.
- Depreciation of several nations' domestic currencies.

**A likelihood of "soft landing" in 2024.** The FED plans three interest rate cuts in 2024, with a target rate of approximate 4% at year-end. The easing pressure in inflation would allow the FED to begin loosening monetary policies in the first half of 2024.

### Inflation is expected to be eased in 2024

	2022	2023	2024
<b>G20</b>	<b>7.89%</b>	<b>6.20%</b>	<b>5.76%</b>
Australia	6.61%	5.65%	<b>3.44%</b>
Canada	6.80%	3.96%	<b>2.99%</b>
<i>Eurozone</i>	<i>8.41%</i>	<i>5.54%</i>	<i><b>2.94%</b></i>
Germany	8.67%	6.15%	<b>2.66%</b>
France	5.91%	5.71%	<b>2.71%</b>
Italy	8.74%	6.12%	<b>2.60%</b>
Spain	8.32%	3.52%	<b>3.66%</b>
Japan	2.52%	3.24%	<b>2.59%</b>
South Korea	5.09%	3.56%	<b>2.69%</b>
UK	9.05%	7.30%	<b>2.87%</b>
US	6.48%	3.89%	<b>2.82%</b>
China	1.88%	0.45%	<b>1.05%</b>
India	6.65%	6.15%	<b>5.30%</b>
Russia	13.74%	5.80%	<b>7.16%</b>

Sources: OECD



# 2024 VIETNAM'S ECONOMIC OUTLOOK

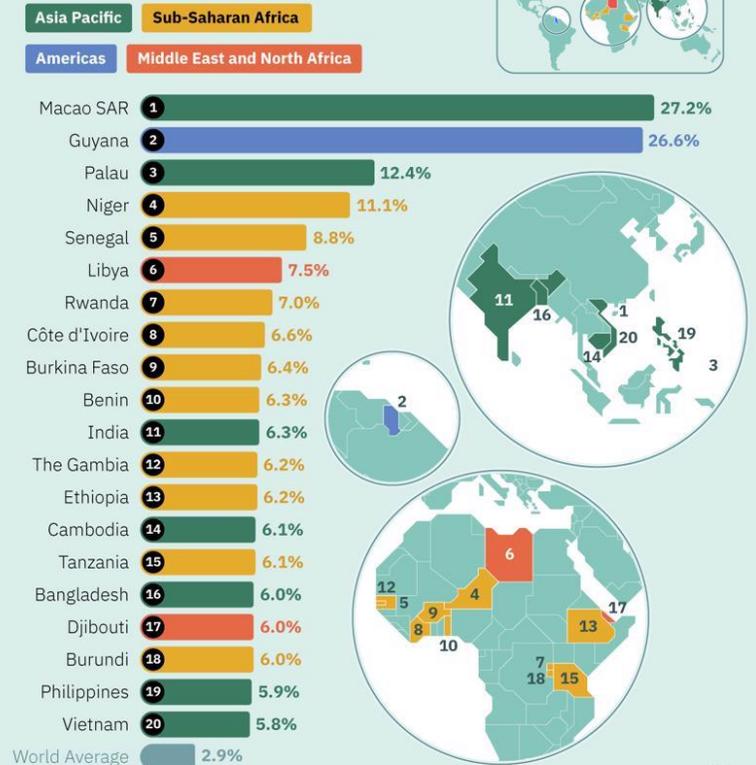
## EXPECTATION OF HIGHER ECONOMIC GROWTH IN 2024

According to IMF forecasts on economic prospects in 2024, Vietnam's economic growth rate will reach 5.8% compared to 2023, ranking 20th among the forecasted countries. We believe that the driving force for Vietnam's economic growth will come from the following factors:

- ❑ **Consumption is the driving factor for growth.** We estimate growth in consumption of goods and services in 2024 to reach 10% owing to the recovery of domestic purchasing power as the economy gradually passes through a difficult period. The tourism industry is expected to continue recovering strongly, the number of international visitors to Vietnam is expected to return to pre-epidemic levels in 2024. However, spending levels may not increase rapidly.
- ❑ **Increase disbursement of public investment to stimulate the private sector.** In the context of lacking motivation in private investment, we expect the Government to continue to promote the disbursement of public investment capital, especially for key transportation projects in 2024 to create growth momentum for the construction, real estate, and construction materials industries.
- ❑ **The manufacturing industry gradually recovers in 2024.** We expect the manufacturing industry in 2024 to grow at a faster pace after a stagnant 2023. Consumer confidence in Vietnam's main export markets such as the US and EU is expected to become more positive when central banks lower interest rates to stimulate consumer demand, especially for non-essential goods.

## Fastest Growing Economies in 2024

Real GDP growth projections



Source: IMF (Oct 2023)

For India, data and forecasts are presented on a fiscal year basis (starting April).

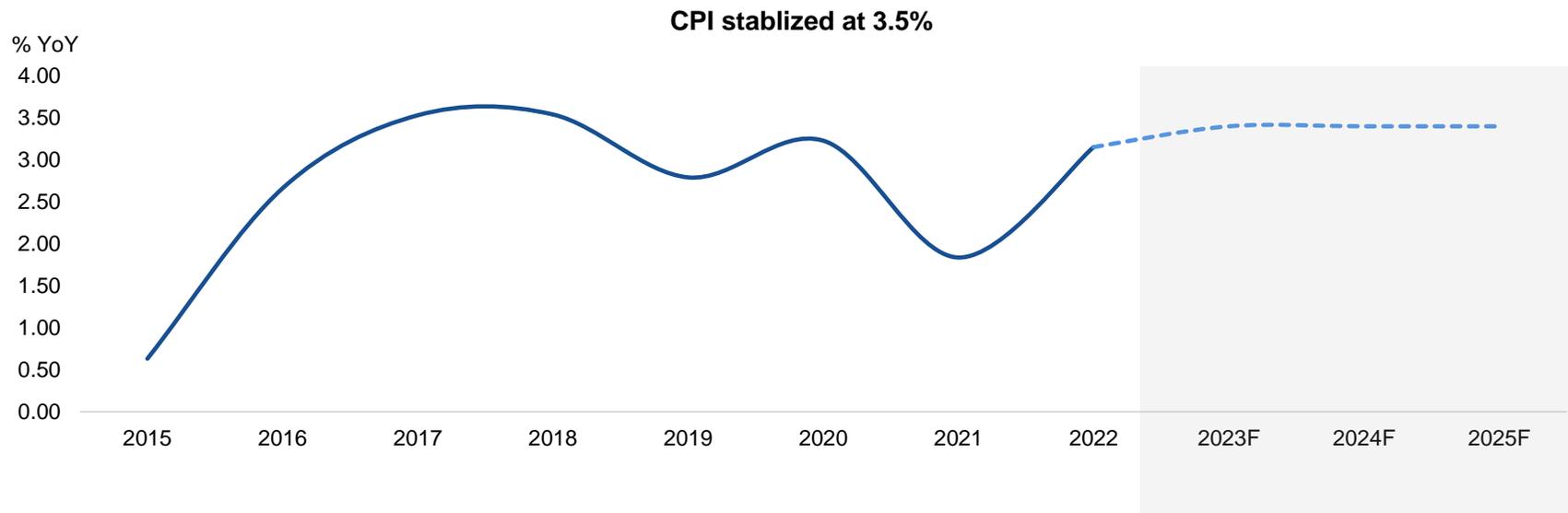


# 2024 VIETNAM'S ECONOMIC OUTLOOK

## STABLE INFLATION CREATES A FOUNDATION FOR MAINTAINING LOW INTEREST RATES

**Inflation is expected to continue to be controlled at about 3.5% in 2024.** We believe that Vietnam's inflation pressure in 2024 will not be too great partly because domestic consumer demand does not increase too quickly. Besides, we forecast that gasoline and food prices will increase slowly in 2023, contributing to slowing down the rise of inflation. On the contrary, the adjustment of the basic salary from July 1, 2024, may increase pressure on CPI in the second half of 2024.

**The current interest rate level is already very low and there is almost no room left for further reduction.** However, we believe that inflation and exchange rate will not put too much pressure on State Bank of Vietnam's consideration on raising interest rates so that the current low operating interest rate might be maintain to support economic growth. We expect interest rates in 2024 to remain at low level but may increase by about 50bps compared to the present, depending on the liquidity of the banking system and the capital needs of the economy in 2024. Moreover, commercial banks may have to increase long-term mobilization interest rates to attract deposits to meet the ratio of short-term capital for medium and long-term loans according to regulations of the State Bank of Vietnam.



Source: IMF





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# MARKET STRATEGY

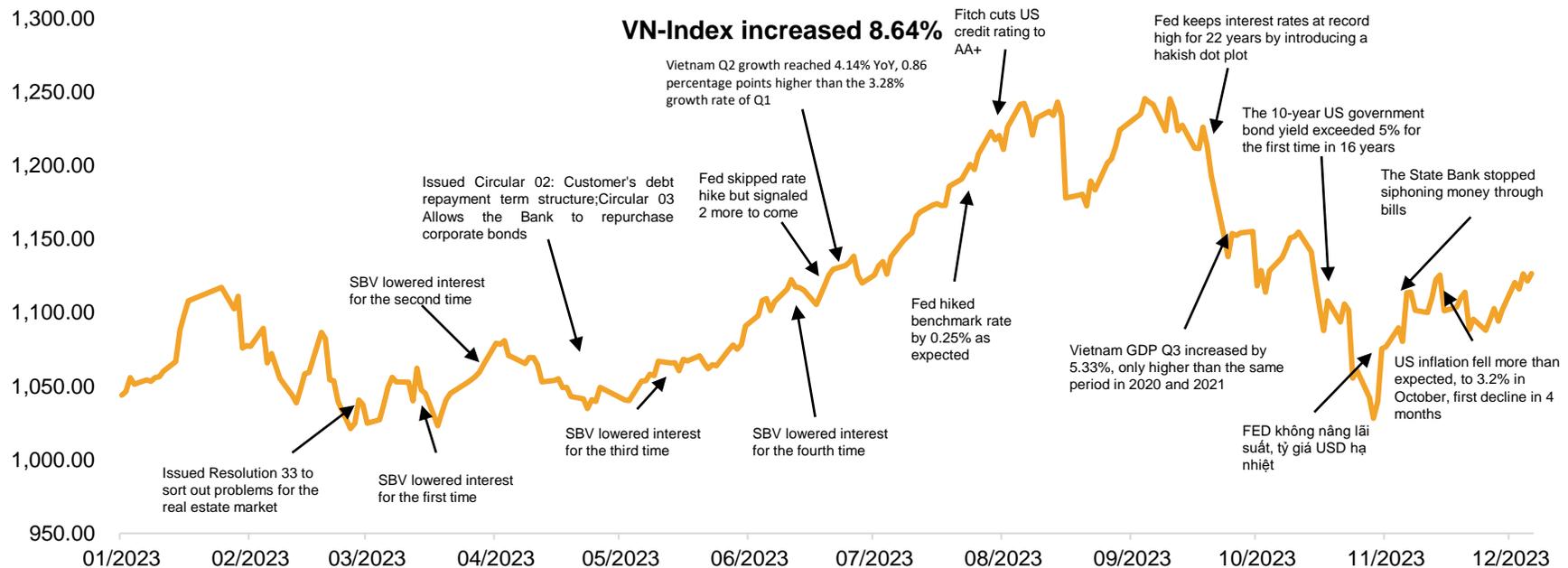


# VIETNAM STOCK MARKET RECAP IN 2023

## RECOVERING WITH POLICY SUPPORT

In 2023, the market has experienced many fluctuations: in the first half, Vietnam's stock market traded quietly, liquidity decreased sharply YoY. The main reason comes from the decline in growth of major economies, persistent inflation, prolonged monetary tightening policies of major economies and increasingly complicated geopolitical tensions.

**Entering the third quarter of 2023, Vietnam's stock index had a major breakthrough.** On September 6, 2023, the VN-Index reached its highest level since the beginning of the year, closing at 1,245.5 points and marking an increase of 23.67% compared to the end of 2022. However, at the end of September, the market experienced correction but has gradually stabilized recently. **By the end of November 30, 2023, the VN-Index had increased 8.64% from the beginning of the year, reaching 1,094.13 points.**



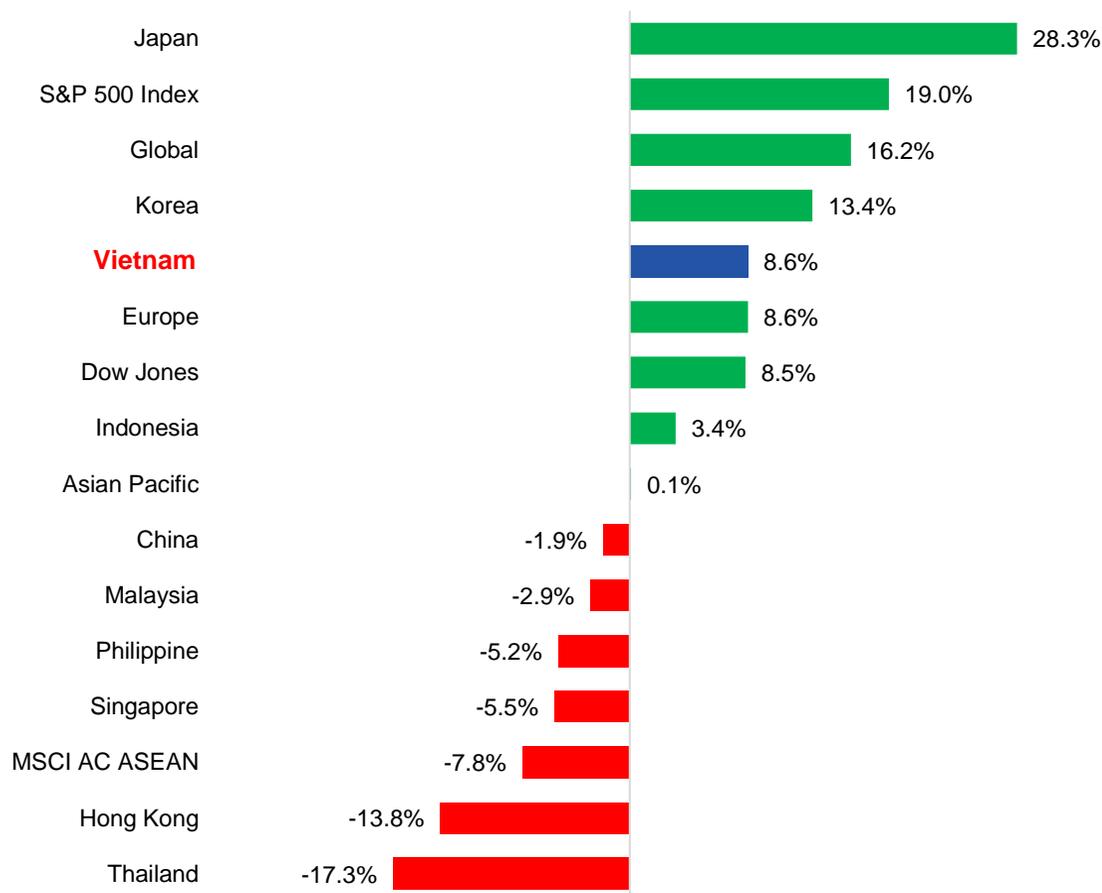
Source: Bloomberg, PSI



# VIETNAM STOCK MARKET RECAP IN 2023

## DIFFERENTIATION TREND IN THE WORLD STOCK MARKET

Divergence is witnessed on world stock markets



In the context of rapid, complex, and unpredictable economic developments, globally and regionally, causing a profound impact on domestic economy and financial situation, Vietnam's stock market still records positive index growth. By the end of November 30, 2023, VN-Index closed up 8.64% compared to the end of 2022, higher than most countries in the Southeast Asia region.

The growth of Vietnamese stock market is only lower than the growth of Japanese, Korean, Indian stock markets and the US S&P500 index.

Source: Bloomberg, PSI



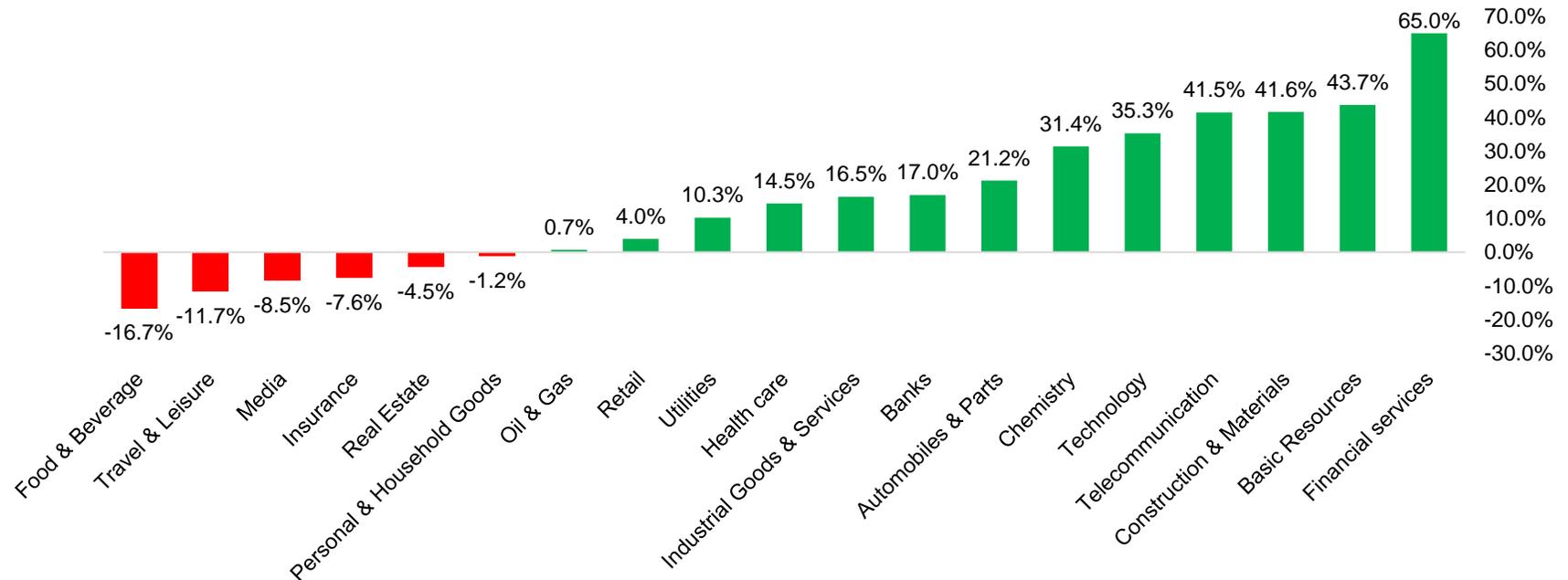
# VIETNAM STOCK MARKET RECAP IN 2023

## MANY SECTORS RECOVER FROM THE BOTTOM OF 2022

Many small-cap and mid-cap stocks have seen price appreciation ranging from 10% to 45% since the beginning of 2023.

The stock market witnessed many sectors recovered from the bottom in 2023 with certain sectors displayed remarkable growth including Financial Services, Basic Resources, Construction & Materials, Telecommunications, Information Technology. These groups of stocks have benefited from the Government's support policies and have their own support stories. In particular, the Financial Services sector is exposed to high degree of volatility and sensitivity due to stock market's event development..

In contrast, Travel & Leisure, Food & Beverages continued to decline amid weakening purchasing power due to the impact of inflation and slowing economic growth.



Source: Bloomberg

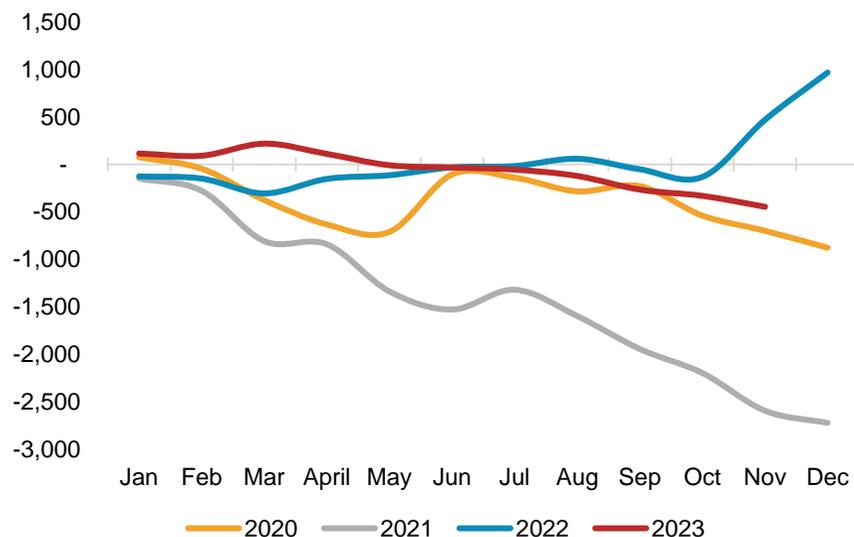
# VIETNAM STOCK MARKET RECAP IN 2023

## NET WITHDRAWAL OF FOREIGN CAPITAL FLOWS

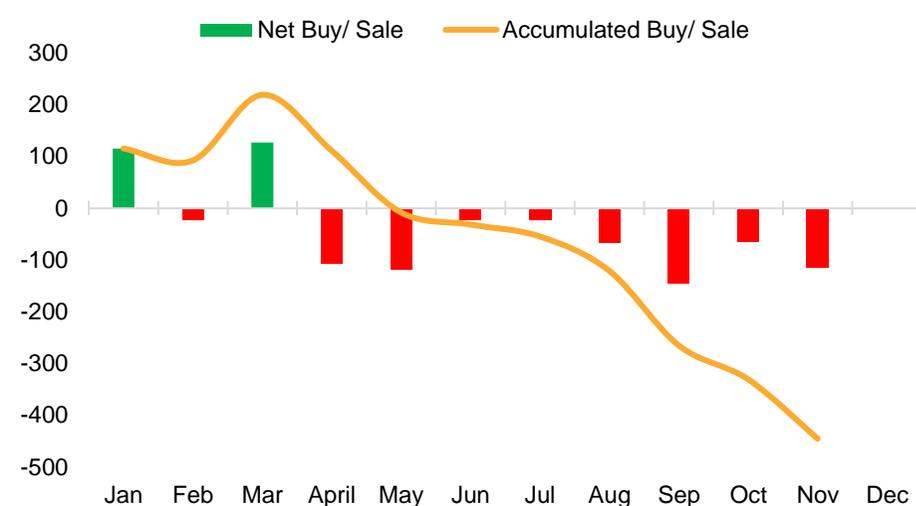
**Foreign investors maintain a net selling trend during most of 2023.** After net buying with large values during market corrections in November and December 2022, and January and March 2023, Foreign investors have continuously been net sellers for the past 8 months. In November, foreign investors' net selling was over 3,847 billion VND on HOSE.

**Accumulated in 11 months of 2023, foreign investors have net sold a total of 12,498 billion VND (equivalent to 445.81 million USD) across the market.** The net withdrawal of foreign capital flows has been maintained for many years, showing that the investment trend of foreign funds is gradually changing as holding period is gradually shortening, international investment funds tend to buy and resell faster due to concerns about risks of global economic fluctuations. This phenomenon occurs not only in Vietnam but also in most developing countries.

Historical foreign cash flow (million USD)



Foreign capital flow in 2023 (million USD)



Source: Bloomberg

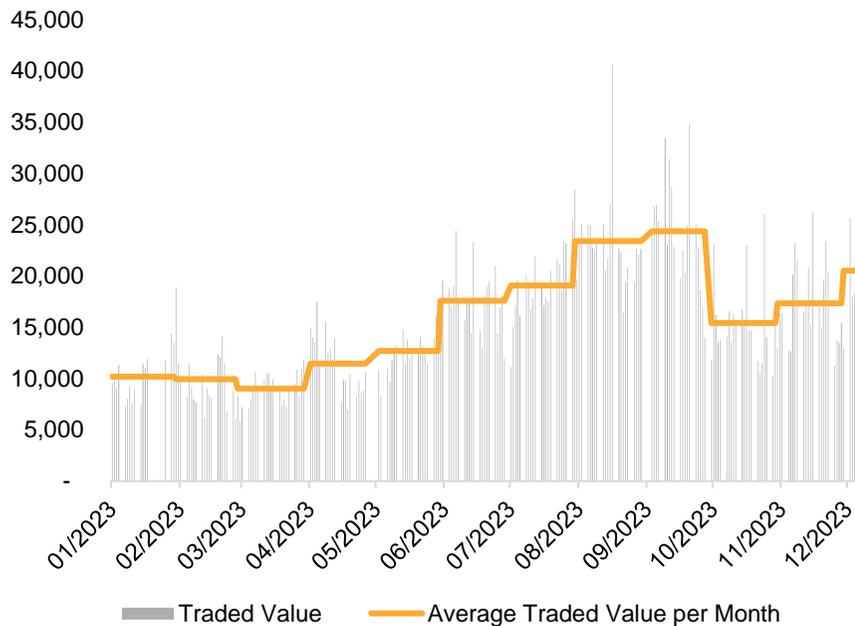
# VIETNAM STOCK MARKET RECAP IN 2023

## DOMESTIC LIQUIDITY CONTINUES TO PLAY A MAJOR ROLE

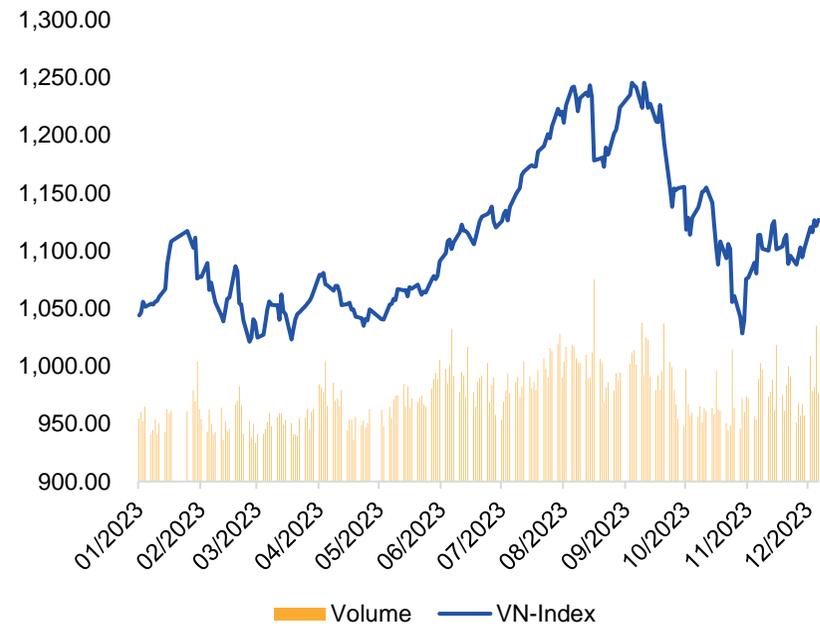
**Liquidity across the market has improved significantly**, in November alone, the average daily trading value reached 17,342 billion VND/session, an increase of 12.65% compared to October. Market liquidity reached high record in September with the average value per session reached 24,353 billion VND, while VN-Index also peaked at 1,245.5 points on September 6. **Accumulated in 11 months of 2023**, the average trading value of the whole market reached 15,611 billion VND/session (-16.15% YoY).

Domestic cash flow increasingly affirms its important role in supporting Vietnam's stock market.

### Whole market liquidity improved



### VN-Index

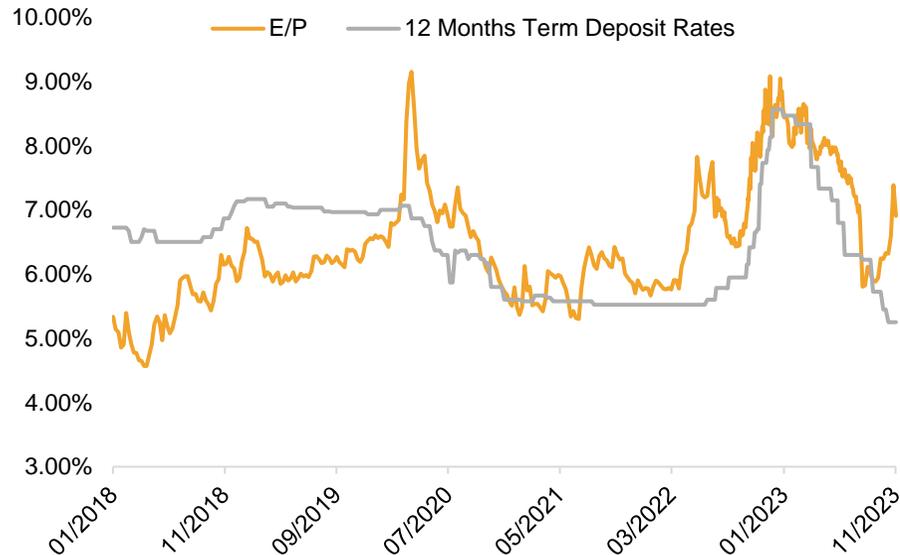


Source: Bloomberg

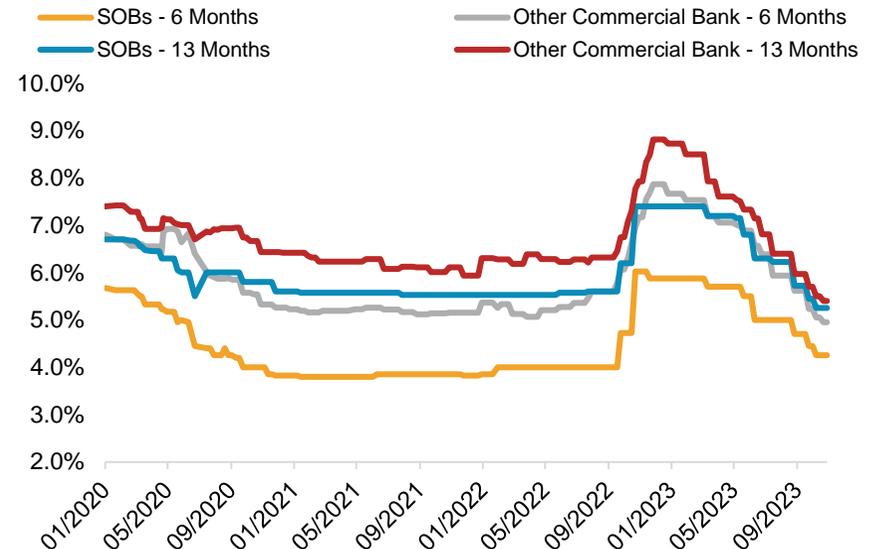
# VIETNAM STOCK MARKET OUTLOOK IN 2024

## AN ATTRACTIVE INVESTMENT CHANNEL IN LOW INTEREST RATE ENVIRONMENT

**VN-Index profitability ratio (E/P) remains higher than savings interest rates**



**Saving interest rates decreased sharply from the beginning of 2023**



Source: Bloomberg, SBV

Saving interest rates started to decrease from the beginning of 2023, easing inflation and exchange rate will lift a breather for State Bank of Vietnam to continue maintaining a low operating interest rate without considering a rising interest rates scenario, hence, supporting economic growth.

. The cash flow will find investment channels with more attractive rates of return.

In the context of saving interest rates gradually sliding towards lower level, the profitability ratio of VN-Index (E/P) still stands at a significantly higher level than the 12-month savings profitability ratio. Equity market shall remain an attractive investment channel in 2024

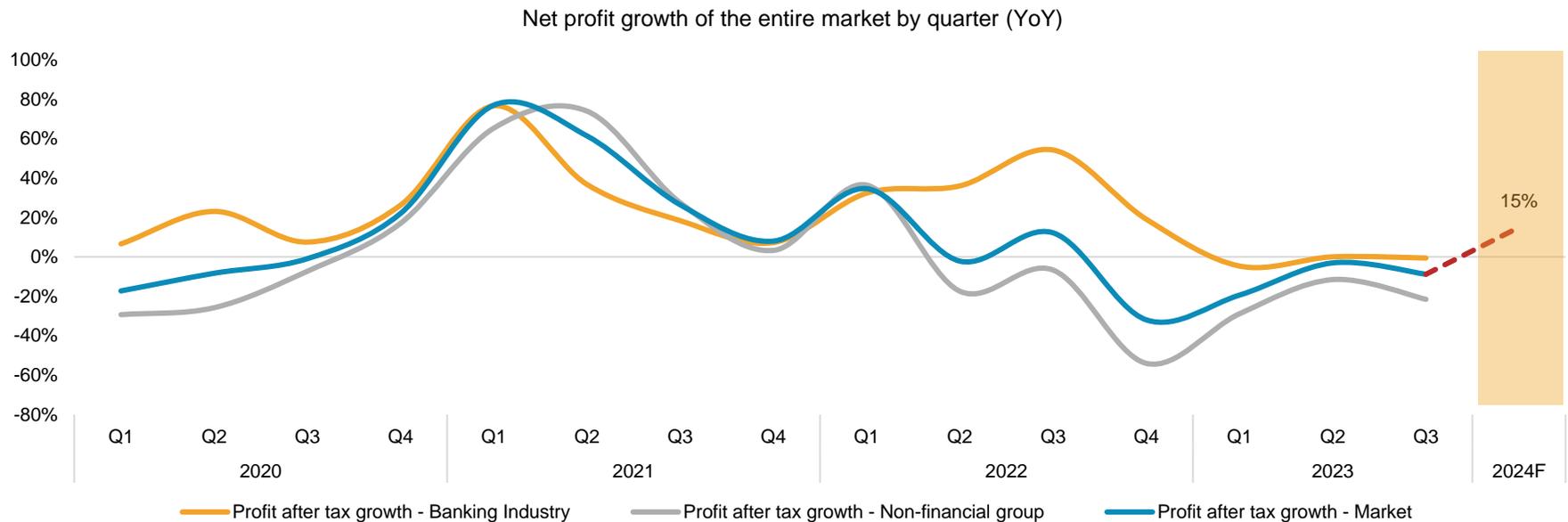


# VIETNAM STOCK MARKET OUTLOOK IN 2024

## PROFIT GROWTH WILL GRADUALLY RECOVER

Despite posting negative profit growth for three consecutive quarters from listed companies, we recognize that this trend is likely to reverse with sectors such as Insurance, Financial Services turning positive amid a slow growth outlook. Additionally, macroeconomic environment in 2024 is anticipated to show sign of recovery with drastic disbursement of capital for public investment projects and pushing strong credit growth. Recent CPI, PMI, net export and public investment data all support a strong GDP growth in Q4/2023, conditions with low interest rate, may act as positive catalysts for the equity market.

**Therefore, based on research and analysis from credential institutions, we believe that the worst is over and predict a strong business growth of 15% among various sectors in 2024.**



Source: Bloomberg, Fiinpro

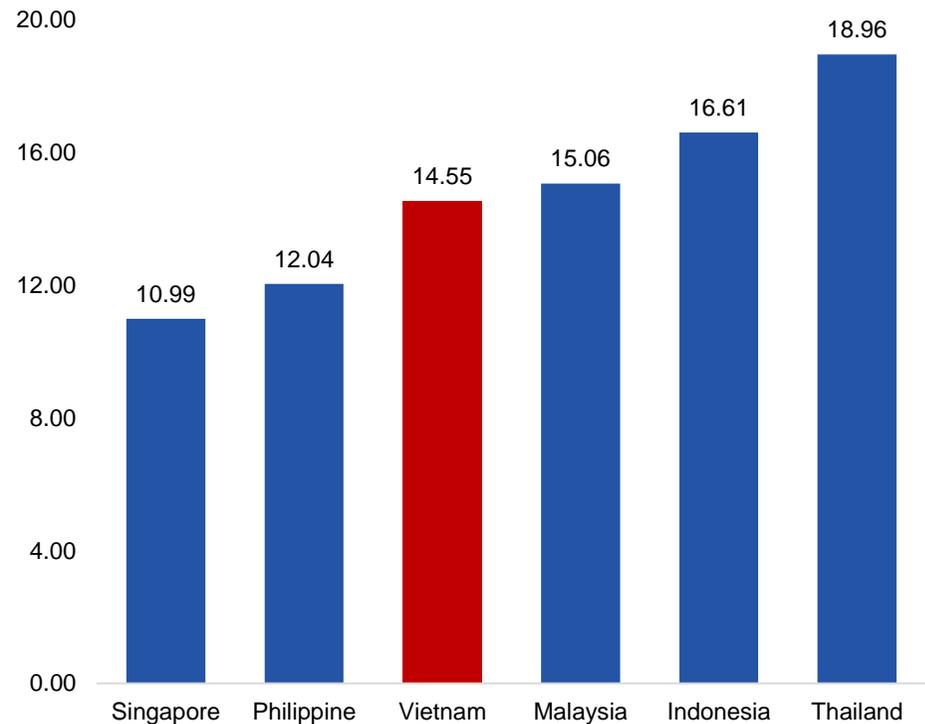
# VIETNAM STOCK MARKET OUTLOOK IN 2024

## MARKET AVERAGE VALUATION

The market is currently trading at a P/E of 14.X, lower than the 10-year average P/E of 16.68. Meanwhile, compared to other countries in Southeast Asia, the less alluring of Vietnamese stock market's P/E valuation will cause foreign investment attraction landscape to face great competition from countries in the region.



## Vietnam market P/E compared to other countries in the region



Source: Bloomberg, Fiinpro

# VIETNAM STOCK MARKET OUTLOOK IN 2024

## EXPECTATION OF VN-INDEX TO INCREASE TO THE RANGE OF 1,137 – 1,287 POINTS IN 2024

- ❖ We forecast that the target of the VN-Index in 2024 will likely **increase to the range of 1,137 - 1,287 points** based on assumptions about income growth and appropriate market valuation.
- ❖ We expect income (EPS) to **grow at 15% compared to 2023**.
- ❖ The market is expected to recover when supportive policies penetrate the economy and industry sectors record positive profit growth again.

		EPS 2024 Growth Forecast (%)						
		6%	9%	12%	15%	18%	21%	24%
P/E 2024 Forward (X)	12.5	996	1,025	1,053	1,081	1,109	1,138	1,166
	13.0	1,036	1,066	1,095	1,125	1,154	1,183	1,212
	13.5	1,076	1,107	1,137	1,168	1,198	1,229	1,259
	14.0	1,116	1,148	1,179	1,211	1,242	1,275	1,306
	14.5	1,156	1,189	1,221	1,255	1,287	1,320	1,352
	15.0	1,196	1,230	1,263	1,298	1,331	1,366	1,399
	15.5	1,235	1,271	1,305	1,341	1,375	1,411	1,446

# VIETNAM STOCK MARKET OUTLOOK IN 2024

## BASE SCENARIO (70%) – VN-INDEX: 1,137 – 1,287 POINTS



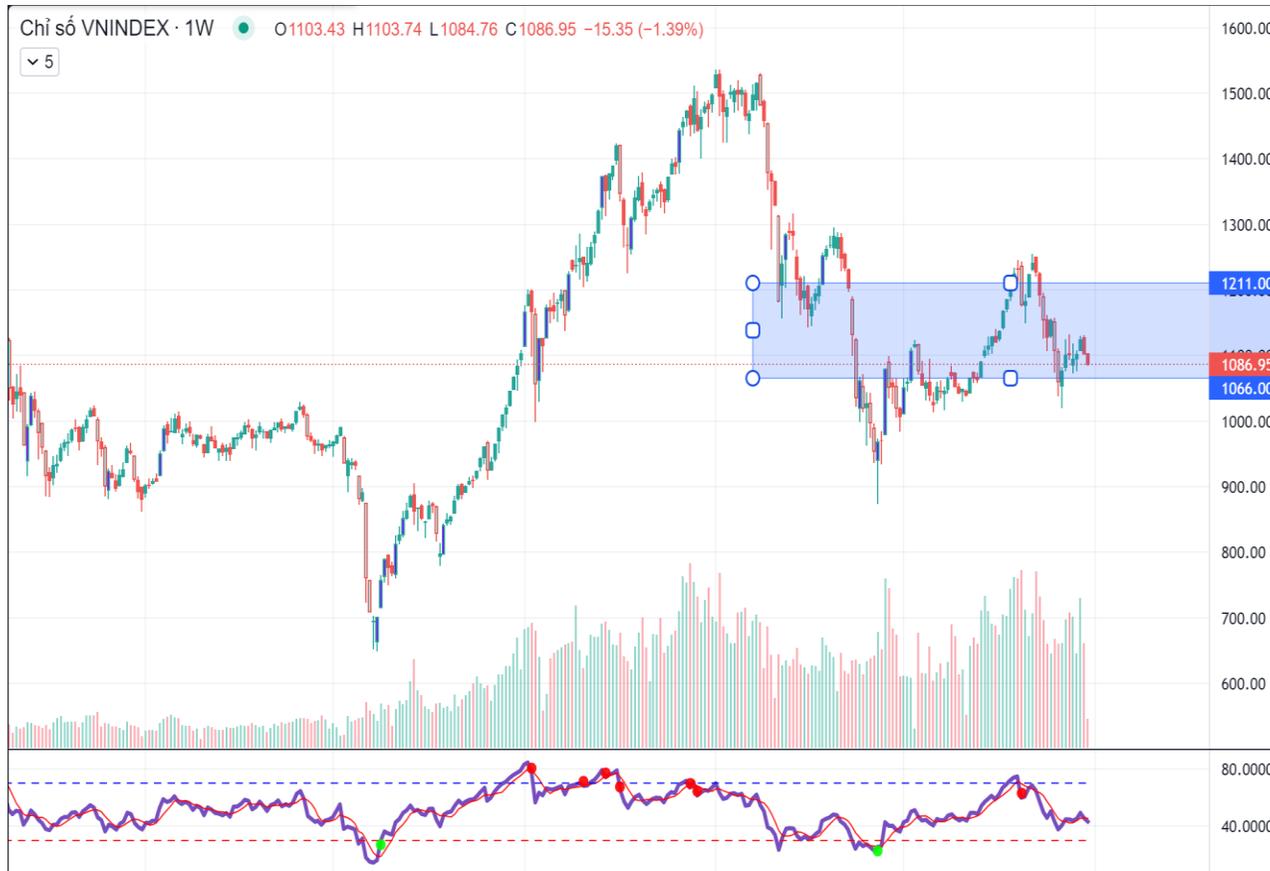
**VN-Index continues to maintain recovery momentum in the price increase channel in 2023 since recorded the bottom at the end of 2022, aiming for 1,137 - 1,287 points in 2024.**

With this scenario, the market continues to maintain its upward momentum thanks to following drivers:

- The State Bank maintain an expansionary monetary policy.
- Public investment activities continue to be strongly promoted.
- Developed countries gradually lower operating interest rates, supporting economic recovery.
- Market valuation returns to reasonable discount level.

# VIETNAM STOCK MARKET OUTLOOK IN 2024

## CAUTIOUS SCENARIO (20%) – VN-INDEX: 1,066 – 1,211 POINTS



**VN-Index accumulated within range of 1,066 - 1,211 points.**

- The exchange rate continues to be put under pressure in the context of a loose monetary policy to support economic development while developed countries maintain high interest rates to control inflation.
- Risks from bond and real estate markets.
- Risks from the world's macroeconomic's slow recovery in 2024.
- Geopolitical tensions continue to escalate globally.

# VIETNAM STOCK MARKET OUTLOOK IN 2024

## POSITIVE SCENARIO (10%) – VN-INDEX: 1,211 – 1,366 POINTS



**VN-Index breaks out strongly with high liquidity when foreign cash flows return, pushing the index surpass its mid-term peak to the range of 1,211 - 1,366 points.**

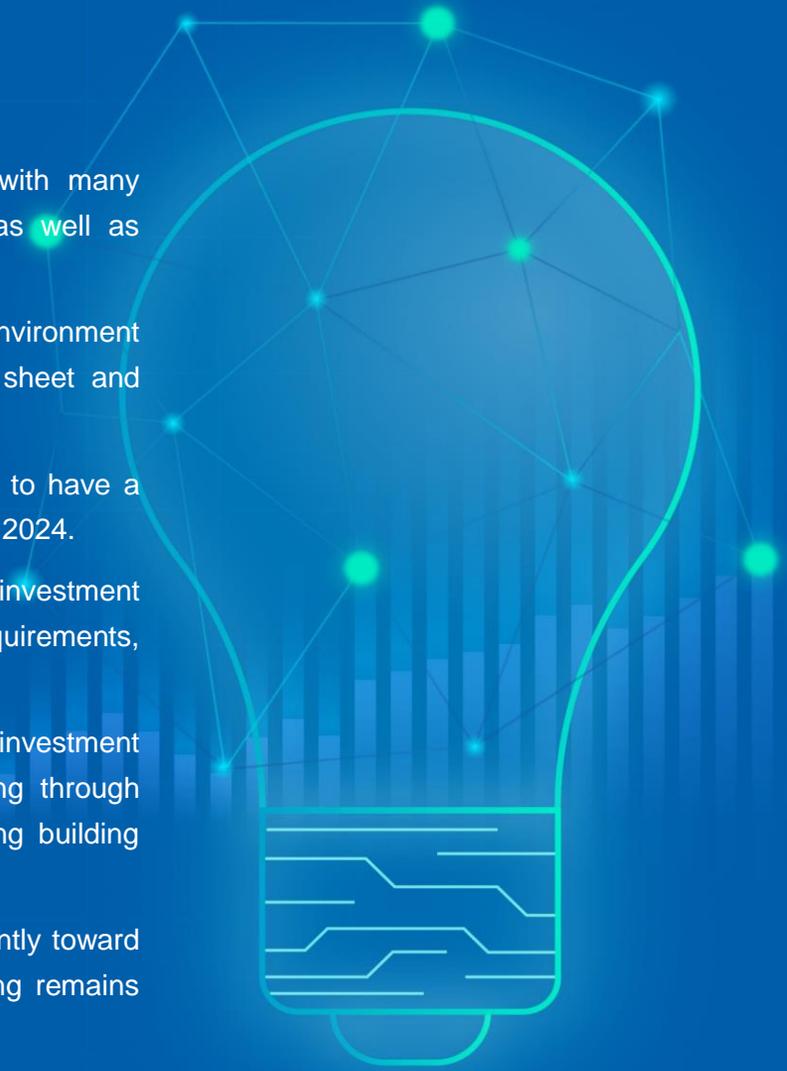
- Expansive monetary policy and strongly promoted public investment activities help businesses achieve a breakthrough.
- Recovery in major economies as inflation is controlled stimulates consumption, supporting Vietnam's import and export activities.
- The bond and real estate markets are resolved.
- Foreign capital flows return to strong net buying as market growth expectations is raised.



CHỨNG KHOÁN DẦU KHÍ  
PETROVIETNAM SECURITIES INC.

We firmly believe that 2024 will present ample investment opportunities with many industries will greatly benefit from macro and public investment policies, as well as consumption demand and global commodity price.

- (1) **Banking sector:** Positive credit growth and a stable interest rate environment expectation next year, emphasizing on the banks with strong balance sheet and healthy assets.
- (2) **Oil and Gas sector:** The recovery of vital economic regions is predicted to have a positive impact on oil consumption demand, thus supporting high oil price in 2024.
- (3) **Real Estate sector:** In the context of limited supply in the market, potential investment opportunities coming from companies with projects fully meet regulatory requirements, and being able to access to credit capital capability.
- (4) **Construction – Public Investment sector:** Expectation of public investment disbursement acceleration next year as the economy is gradually sailing through recovery stage. Companies with tremendous projects backlogs and strong building material manufacturing activities will attract potential investment.
- (5) **Steel sector:** Consumption output and steel price have improved significantly toward end of year showing a positive trajectory for the whole industry. Exporting remains important following next year market scenario.
- (6) **Fishing sector:** Catfish exporting to two major markets, United States and China, is expected to recover in 2024.



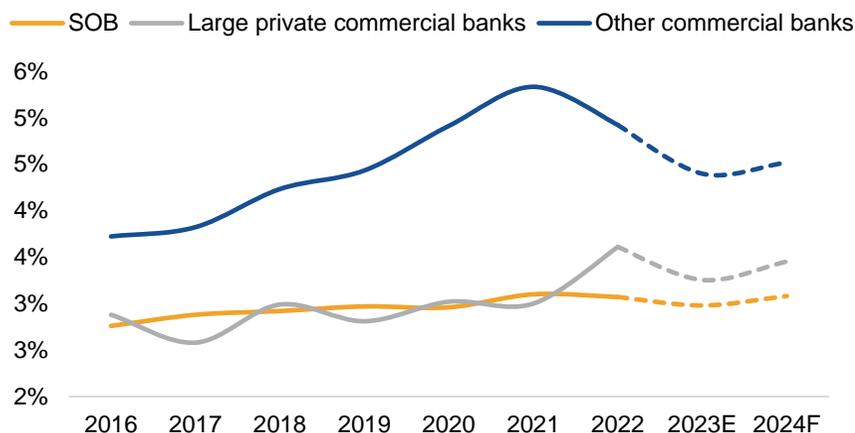
# BANKING SECTOR

## CREDIT GROWTH SPEEDS UP, CAUTION AGAINST RISK OF BAD DEBT

### Expectation of credit growth in 2024

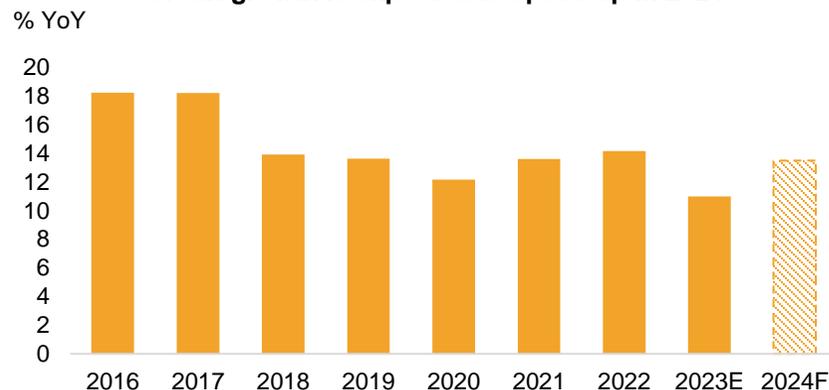
Credit growth in 2023 is estimated to only reach about 10%-11% due to economic difficulties leading to poor capital absorption. The recovery of the economy in 2024 will be the driving force for the growth rate of credit balance of the entire economy to improve in 2024 and reach 13%-14% compared to the end of 2023. Besides, we expect that the real estate industry will gradually recover from the bottom thanks to the Government's solutions. The real estate and construction industry group's increased capital demand will be the basic driving force for credit growth in 2024.

### Median of NIM by group of Commercial Banks



Source: PSI Research

### Credit growth is expected to speed up in 2024



### NIM improves thanks to low capital costs

Most of the savings deposit with high interest rates will mature between the end of 2023 and the first quarter of 2024. Combined with low savings interest rates, the increase in demand deposits will help commercial banks reduce capital costs. We expect NIM of commercial banks to improve from the second quarter of 2024. However, the level of improvement will vary between banking groups. In particular, the private commercial bank group can see NIM improve more clearly (+20bps). HDB, MSB, SHB, SSB Banks may witness NIM growth higher than the industry average. For the group of state-owned commercial banks, the pressure to maintain low lending interest rates to ensure the task of supporting the economy may cause NIM to increase more slowly (+10bps).

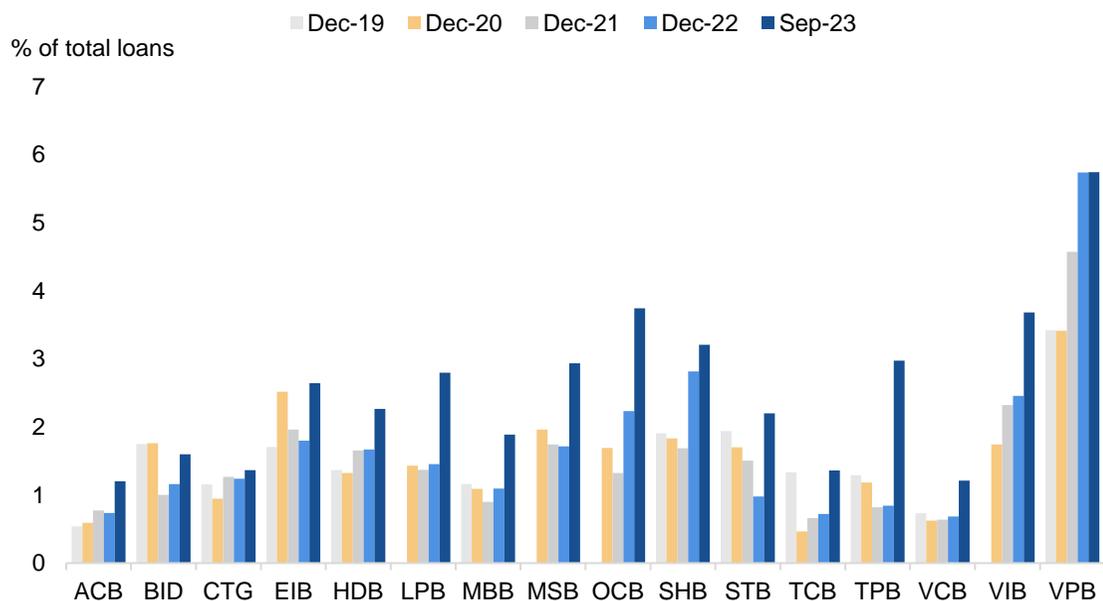
# BANKING SECTOR

## CREDIT GROWTH SPEEDS UP, CAUTION AGAINST RISK OF BAD DEBT

### Non-interest income is unlikely to increase strongly

Income from insurance commissions of commercial banks decreased in 2023 after scandals related to the Bank's Bancassurance service and is expected to continue to face difficulties when the State Bank of Vietnam tightens control over the service. Therefore, we believe that banks' non-interest income growth in 2024 will mainly rely on capital business activities (foreign exchange and gold trade, bond investment). In addition, bond prices have an inverse relationship with interest rates, hence, commercial banks that own large amounts of government bonds in their investment portfolio such as MBB, OCB, LPB (the value of government bonds held is over 5% of total assets) will likely record positive growth in non-interest income in 2024.

### NPL to Total loans of Commercial banks



Source: Commercial Banks' financial statements

### Caution against risk of bad debt

Banking industry asset quality has declined significantly in 2023 with the industry-wide bad debt level estimated at about 2.35% of total outstanding credit debt (+75bps over the same period). Although the growth rate of bad debt has begun to slow down from the third quarter of 2023 and the risk of forming new bad debt has also decreased, we would like to issue a warning about this risk, especially after Circular 02/2023-TT/NHNN on restructuring, remaining the debt group expires on June 30, 2024. Banking industry profits, therefore, will likely be eroded by the burden of credit risk provision costs.



# BANKING SECTOR

## STOCK RECOMMENDATION

No.	Ticker	Catalysts	Risks
1	VCB	<ul style="list-style-type: none"> <li>- The best asset quality in the system is the foundation for VCB to be assigned a <b>credit room higher than the industry average in 2024.</b> <ul style="list-style-type: none"> <li>• Own very few corporate bonds, less than 2% of total assets.</li> <li>• The on-balance sheet bad debt ratio is among the lowest in the sector but always leads in bad debt coverage ratio (~300%), so the burden of credit risk provision costs in 2024 is not too large.</li> </ul> </li> <li>- The lowest deposit interest rate in the entire banking industry combined with large corporate customer database give VCB <b>low capital costs and the 3rd ranking of the highest ROAE in the banking sector.</b></li> </ul>	<ul style="list-style-type: none"> <li>- As a State owned bank, VCB may have to witness a slow and insignificant improvement in NIM due to having to reduce lending interest rates to support customers even though interest costs are currently the lowest in the banking system.</li> <li>- CAR is relatively low and it is difficult to raise capital to improve the ratio.</li> </ul>
2	ACB	<p><b>Outstanding asset quality among private commercial banks</b></p> <ul style="list-style-type: none"> <li>• Small portion of real estate loan to total loan and not subject to risks from corporate bonds.</li> <li>• Good term-difference risk management, reflected in the ratio of short-term debt to medium and long-term loans is only 19% (as of 30 June, 2023)</li> </ul> <p><b>Profitability ratio is at the top of the banking system</b></p> <ul style="list-style-type: none"> <li>• ROAE ratio ranks 2nd in the entire banking sector, only lower than VIB but ACB has a lower financial leverage ratio.</li> <li>• NIM is at the top of the system, mainly coming from customer lending activities and investment in bonds of other credit institutions and government bonds.</li> </ul>	<ul style="list-style-type: none"> <li>- Increased non-performing loans while the bad debt coverage ratio decreases in 2023 may cause the provision burden to increase in 2024, negatively impacting ACB's 2024 profit growth.</li> </ul>

# OIL & GAS SECTOR

## SUPPLY & DEMAND BALANCE

### Balancing of crude oil supply & demand.

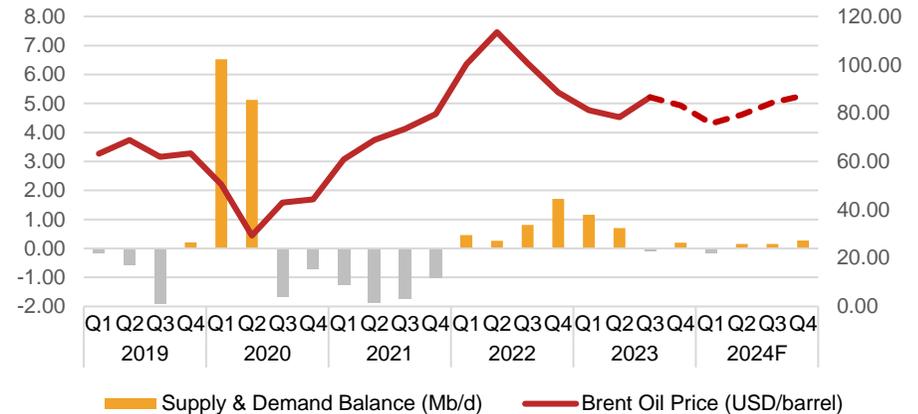
**(1) Supply factors:** Saudi Arabia and Russia (OPEC+) maintain the commitment of voluntary production cuts of **1 million barrels/day** and **0.3 million barrels/day**, respectively, by the end of Q1/24. The United States oil output remains at all time high level, approximately **13.1 million barrels/day**.

Due to OPEC+ voluntary output cuts, high Brent oil price expectation in 2024 will continue to support active E&P and refining activities. Oil and gas upstream capital expenditures (CAPEX) is on pace of recovery post COVID-19. According to IEF and S&P Global Commodity, annual upstream investments need to grow at a rate of 4.27% CAGR, from \$499 billion in 2022 to \$610 billion in 2026 to ensure sufficient supplies.

**(2) Consumption demand:** The economic recovery will have a positive impact on oil demand in 2024, with the bulk of consumption growth coming from China, India and the United States, acting as the main catalyst to help tighten the imbalance of global oil market, hence, bringing the supply and demand balance back to a stabilizing state.

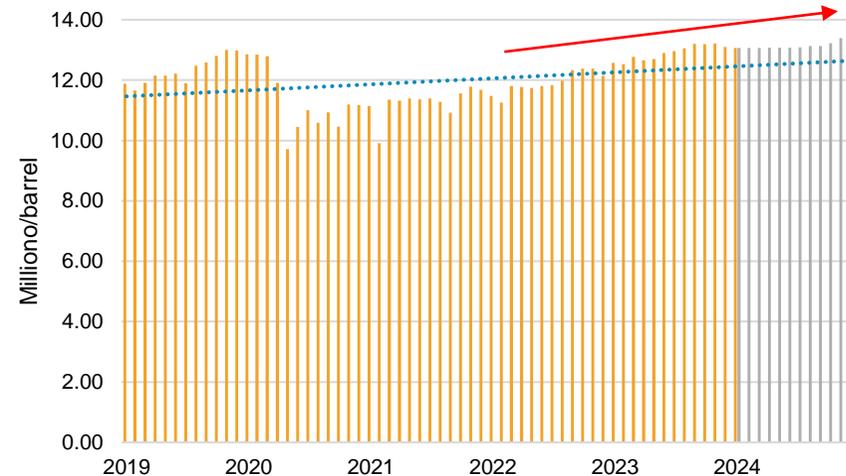
OPEC estimates that total global oil demand in 2023 – 2024 will be at **102.1 million barrels/day** and **104.3 million barrels/day** (**+2.45% YoY** and **+2.2% YoY**, respectively).

**Brent Oil Price – Supply & Demand Deficit**



Source: EIA, PSI

**United States Oil Production**



Source: EIA, PSI

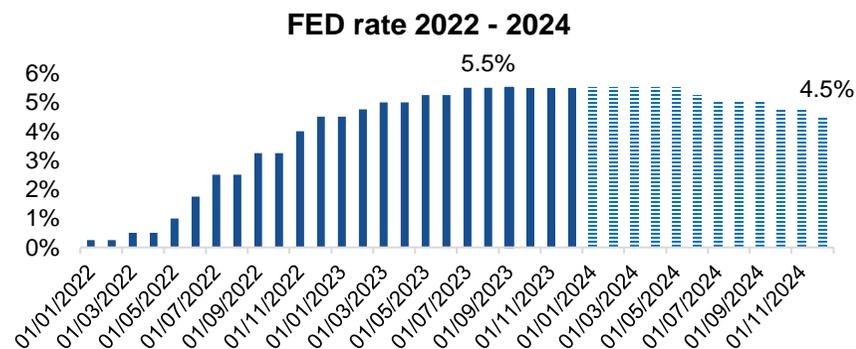
# OIL & GAS SECTOR

## HIGH OIL PRICE ANCHORING

Global crude oil supplies is expected to remain at a low level in 2024 mainly due to OPEC+ voluntary production cut, a promising recovery of manufacturing operations and tourism activities, the United States and OECD's oil inventory significant reduction, and prolonging geopolitical uncertainties (Russia-Ukraine war, Israel-Hamas conflict), supporting a high crude oil price scenario.

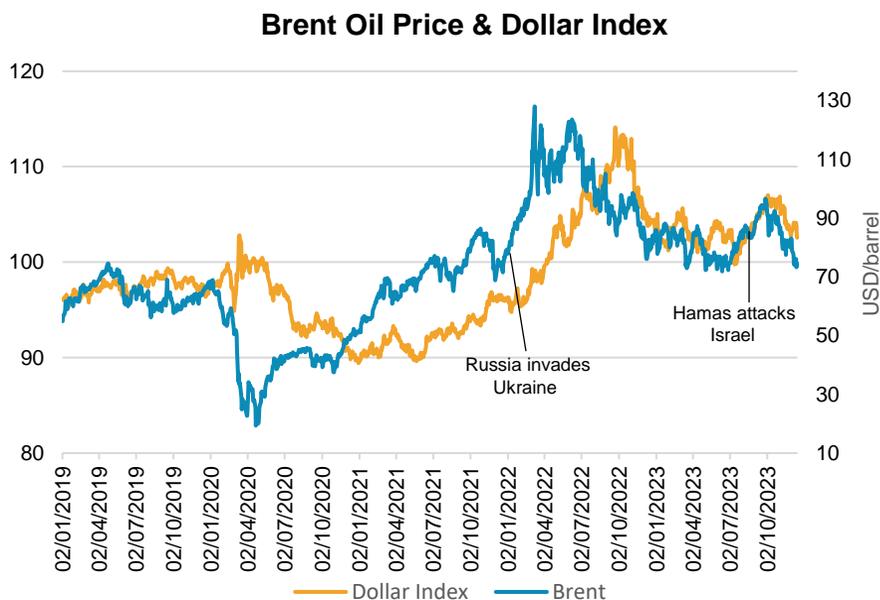
Crude oil is priced in US Dollars, which causing USD value is posing an inverse relationship on oil price. In recent December 2023 FOMC meetings, the Fed hints that it might start easing monetary policy beginning mid 2024 with 3 rate cuts (0.25 bps each), thus a weakened US Dollar help boosting oil price.

Based on other financial institutions forecasts, we believe that average crude oil price is likely to be traded at \$80/barrel throughout 2024.



Financial Institutions	Q4 23	Q1 24	Q2 24	Q3 24	2024
Rystad Energy	\$82.5	\$82.5	\$82.5	\$82.5	\$82.5
Westpac Banking	\$81.0	\$76.0	\$79.0	\$81.0	\$84.0
Macquarie Group	\$84.0	\$79.0	\$76.0	\$79.0	\$74.0
Morgan Stanley	\$82.5	\$80.0	\$80.0	\$80.0	\$80.0
JP Morgan Chase	\$85.0	\$79.0	\$84.0	\$84.0	\$85.0

Brent oil price forecast 2024 (source: Bloomberg)



# OIL & GAS SECTOR

## STOCK RECOMMENDATION

No.	Ticker	Catalysts	Risks
1	BSR	<ul style="list-style-type: none"> <li>- <b>Cracksreads of Diesel Oil (DO)</b> (constitutes 40% of revenue) improves, supporting a stable gross profit margin for BSR.</li> <li>- BSR expects listing on HSX exchange in 2024, promising <b>significant stock liquidity improvement</b> and <b>increasing capital raising capability</b> for Dung Quat Refinery upgrade and expansion project.</li> <li>- A high average crude oil price in 2024 will help boost revenue, putting BSR in a strong financial position.</li> <li>- BSR is expected to payout a cash dividend of 7% for 2023.</li> </ul>	<ul style="list-style-type: none"> <li>- Gasoline products' cracksreads narrowing will have a negative impact on BSR's gross profit margin.</li> <li>- Dung Quat Refinery's 5<sup>th</sup> periodic maintenance (50 days) may pose a loss of revenue by 10%.</li> </ul>
2	GAS	<ul style="list-style-type: none"> <li>- Global LNG price has begun to stabilize, thus, Thi Vai LNG Terminal is in great conditions entering operational stage, setting premise before officially distributing the first stream of gas to its partners, Nhon Trach 3 &amp; 4 in 2024.</li> <li>- <b>Block B – O Mon gas pipeline project</b>, awaiting final investment decision (FID), has major economic potential with expected total production of about 5.06 billion cubic meters of gas annually. It is estimated that this pipeline project can generate total transportation revenue of over <b>\$7 billion</b> throughout its lifecycle.</li> <li>- GAS increases Charter Capital to 23,000 billion VND.</li> <li>- GAS is expected to payout a cash dividend of 20% for 2023.</li> </ul>	<ul style="list-style-type: none"> <li>- Short-term oil price fluctuation affects imported natural gas price.</li> </ul>

# OIL & GAS SECTOR

## STOCK RECOMMENDATION

No.	Ticker	Catalysts	Risks
3	PVD	<ul style="list-style-type: none"> <li>- PVD reported a <b>net profit of 304 billion VND in the first 9 months of 2023 (beat expected plan by 200%)</b> due to record high drilling rig rental contracts, ~\$100,000 per day and high operational efficiency.</li> <li>- Drilling rig rental rate in 2024 is still expecting to increase thanks to high Brent oil price and strong E&amp;P activities. All PVD drilling rigs are reported to be fully in services throughout 2024. Rigs I, II, VI have extended contracts till 2025.</li> <li>- PVD will greatly benefit from <b>Murphy Oil's final investment decision (FID)</b> for Block 15-1/05 Lac Da Vang project.</li> </ul>	<ul style="list-style-type: none"> <li>- Oil price fluctuation will have an impact on drilling rig renting demand and rental rate.</li> <li>- Delayed domestic E&amp;P projects.</li> </ul>
4	PVS	<ul style="list-style-type: none"> <li>- In the short-term, FPSO/FSO activities will continue to contribute significantly to PVS business operations, generating more than <b>50% earnings</b> for PVS.</li> <li>- <b>The Block B – O Mon gas pipeline project</b>, awaiting final investment decision (FID), will greatly benefit PVS, with total estimated contract value up to <b>\$1 billion</b>, starting in 2024.</li> <li>- PVS is expected to secure a construction &amp; service contract with total estimated value of <b>\$283 million</b>, including a central processing platform and related facilities at Block 15-1/05 Lac Da Vang project.</li> </ul>	<ul style="list-style-type: none"> <li>- Oil price fluctuation, E&amp;P demand will have an impact on FPSO/FSO rental demand and rate.</li> <li>- Lack of jobs due to delayed upstream projects.</li> </ul>

# REAL ESTATE SECTOR

## FIRST STEP OF RECOVERY

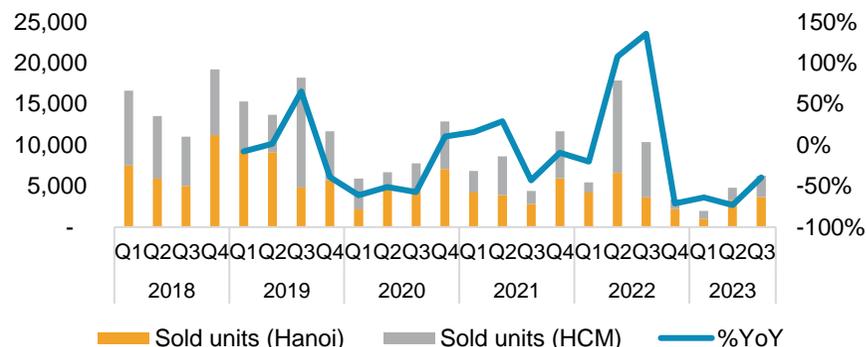
**The demand of real estate gradually returned through each quarter.** Despite the weak demand of homebuyers in the context of economic recession and uncertain recovery of the real estate market, statistics showed that sales of apartments in Q3 2023 in Hanoi and Ho Chi Minh City increased by 67% and 125% respectively compared to Q4.2022.

**Limited new supply is an opportunity for businesses with projects that meet legal conditions.** The number of projects granted construction permits decreased significantly from Q4 2022, showing the prolonged legal difficulties and the supply shortage in the coming quarters.

**The ability to access capital of the real estate sector is gradually improving thanks to the expansion of business credit.** Private banks are providing capital to support contractors in restructuring projects and debts when only in the first 9 months of 2023, real estate business credit increased by 22%.

**Expectations for the approval of amended Law on Real Estate at the extraordinary session of the National Assembly in early January 2024.** Along with the Housing and the Real estate Business Laws that have been passed in the recent meeting, the approval of amended Law on Real Estate can create a new opportunity for the real estate market and stimulate the recovery.

**Apartment sales gradually improved over the quarters**



**Shortage of supply fully satisfying legal conditions**



Source: Fireant

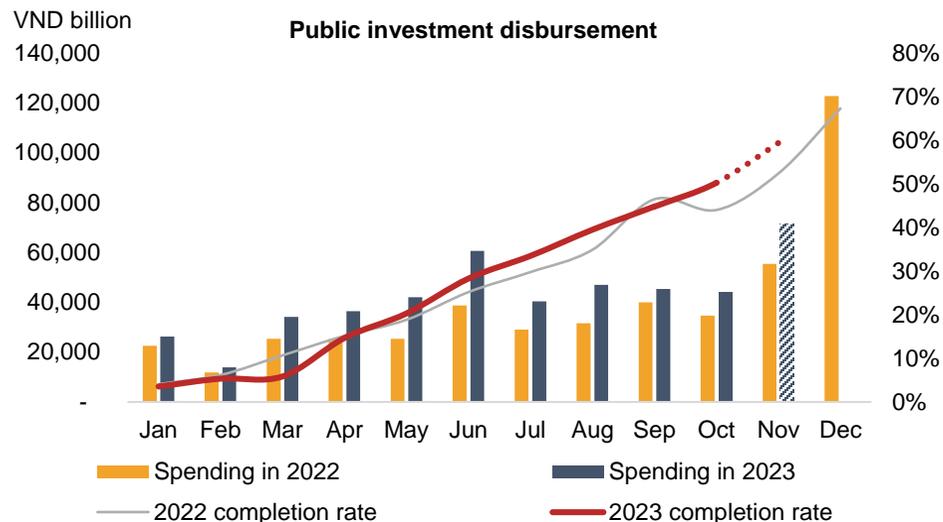
# REAL ESTATE SECTOR

## STOCK RECOMMENDATION

No.	Ticker	Catalysts	Risks
1	NLG	<ul style="list-style-type: none"> <li>- Following the improvement in Q3, the real estate business activities of NLG continued to record an additional 1,200 billion VND in October and November.</li> <li>- 2024 shall witness impressive growth in profit thanks to the handover of Flora Akari City project and the return of Valora Southgate, as well as the divestment of 25% in Paragon Dai Phuoc project.</li> </ul> <p>The suitable product segment for market demand: 92% of NLG's current project is social housing products, affordable commercial housing, and mid-range housing</p>	The absorption of the projects shall be possibly at low level due to the impacts of the economic situation
2	VHM	<ul style="list-style-type: none"> <li>- VHM maintains the leading position thanks to its vast land fund and strong project deployment capability. VHM is one of the few businesses that are constantly expanding land fund, most recently two projects in Tuyen Quang and Bac Giang with areas of 540ha and 134ha respectively.</li> <li>- New projects are continuously being deployed for sale: Vinhomes Sky Park (Bac Giang province); Glory Heights (Vinhomes Grand Park); 700 apartments in the New York subdivision (Vinhomes Golden Avenue) and coming up is Mega Grand World.</li> </ul>	

# CONSTRUCTION SECTOR – PUBLIC INVESTMENT

## MORE ACTIONS NEEDED TO MEET THE EXPECTATIONS



UPDATES ON PROGRESS OF 11 PROJECTS IN PHASE 1 NORTH-SOUTH EXPRESSWAY					
No	Projects	Projected length (km)	Investment amount (billion VND)	Contractors (listed on exchanges)	Progress
1	Cam Lo - La Son	7,669	98.3		Completed on Dec 31st, 2022
2	Mai Son - NE 45	12,000	63.37	VCG	Open to traffic on Sep 02nd, 2023
3	Vinh Hao - Phan Thiet	10,853	100.8	VCG, DPG	Open to traffic on May 19th, 2023. 96.25% completed
4	Phan Thiet - Dau Giay	12,577	99	VCG, TTL	Open to traffic since July 2023
5	NE 45 - Nghi Son	5,534	43.28	LCG, VCG	Open to traffic on Sep 02nd, 2023
6	Nghi Son - Dien Chau	7,300	50	HHV, C4G	Open to traffic on Sep 02nd, 2023
7	Nha Trang - Cam Lam	5,524	49	VCG, C4G	Open to traffic on May 19th, 2023
8	Cao Bo - Mai Son	1,607	15		Completed, currently in extension to 6 lanes
9	Dien Chau - Bai Vot	11,157	49	C4G, LCG	Planned to be completed in May 2024. 59.2% completed
10	Cam Lam - Vinh Hao	8,925	78.5	HHV	Planned to be completed in March 2024. 80.67% completed
11	My Thuan Bridge	5,000	6.61	HHV	Planned to be completed in late 2023. 96% completed

### The view of public investment in 2023 has been bright...

According to Ministry of Finance, the total disbursement of public investment capital by October 31<sup>st</sup>, 2023 accounts for 50.2% of the whole year plan, which is better than the YoY figure (44%). There is an expected spending of 71 trillion VND in November (+ 28.8% YoY). This indicates a significant enhancement in the pace of public investment disbursement throughout 2023, particularly in the latter half.

8 out of 11 component projects of the **North-South Expressway (Phase 1)** have been open to traffic. **Phase 2** (12 projects) completion rate is about 9.7%. **Long Thanh Airport** project is progressing as scheduled. The largest package – 5.10 (the passenger terminal) – is recorded to have completed the installation of all 24 tower cranes, the perimeter fence and service roads.

### ...but not met the expectations

**Challenges in land clearance and input materials** have been burdening the public investment projects during the year. The **land clearance** stage has been slowed down due to conflict in the compensation rates, while the **lack of sands and stones** diminishes the ground filling, which mainly occurs in Southern projects.

*We expect that the implementation of public investment projects will be actively promoted in 2024. However, the project's progress relies heavily on resolving persistent issues such as land clearance and construction material supply.*

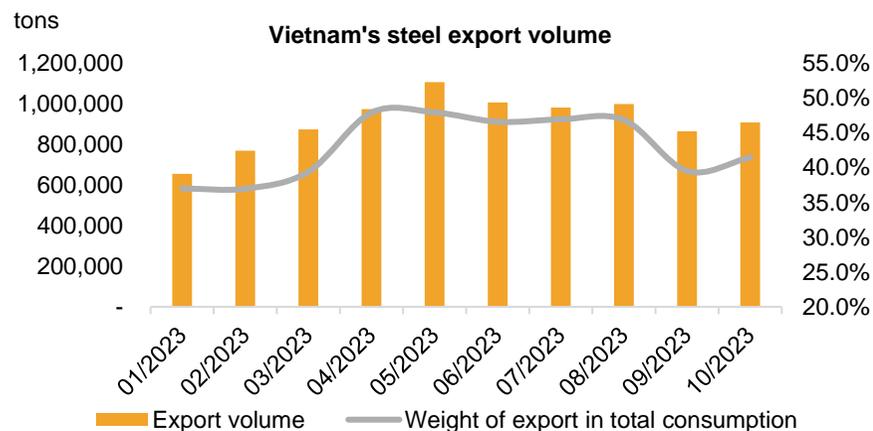
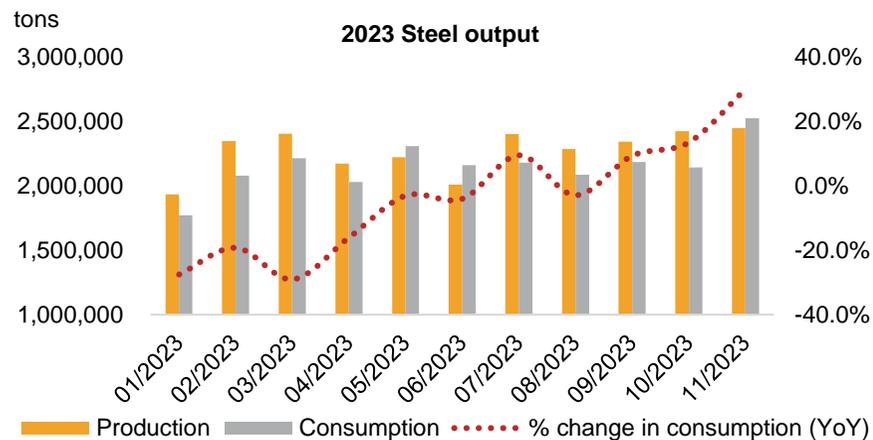
# CONSTRUCTION SECTOR – PUBLIC INVESTMENT

## STOCK RECOMMENDATION

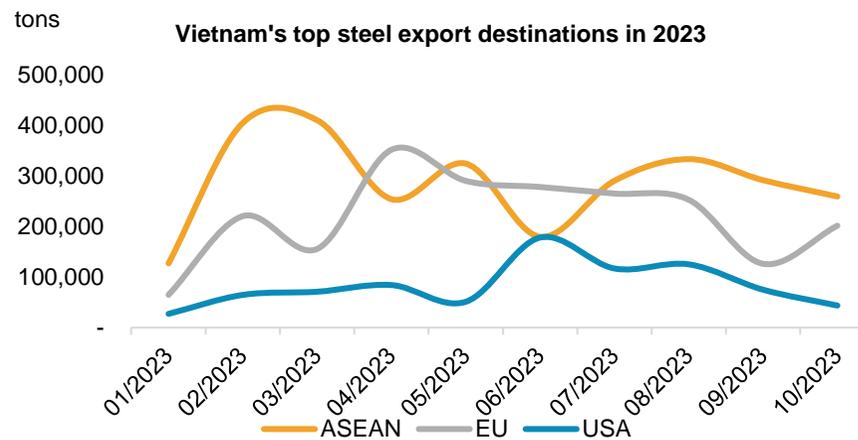
No	Stocks	Catalysts	Risks
1	DHA	<ul style="list-style-type: none"> <li>- <b>Benefitting significantly from Public Investment projects</b>, particularly those within the Mekong Delta region. DHA owns stone mines such as Tan Cang 3 and Thanh Phu 2, which both locate within this area. Tan Cang 3, in particular, is approximately 30km away from the construction site of the Long Thanh Airport project.</li> <li>- <b>Gross profit margins have remained stable at a good level.</b> Over the last 12 quarters (3 years), DHA has maintained gross margins around 21% - 32%, and consistently exceeded 30% in the past two quarters. Stone prices surged in the latter half of 2023 due to substantial demand for construction projects.</li> </ul>	<p>The disbursement of public investment capital relies on the progress of project implementation. There are still many obstacles in the process of land clearance and ground leveling.</p>
2	HHV	<ul style="list-style-type: none"> <li>- <b>Revenue from the construction segment</b> has shown remarkable growth YoY. In the first 9 months of the year, HHV's revenue from construction projects reached 599.1 billion VND (+87.1% YoY). Public Investment projects have been the positive significant factor in driving this growth.</li> <li>- <b>Acting as the primary contractor for the Quang Ngai - Hoai Nhon Expressway project</b> (a total investment of 14.7 trillion VND), HHV is expected to continue benefitting significantly from this project throughout 2024, beside another major project of <b>Package 6.12 at Long Thanh Airport</b> (involving construction and design of transportation systems connecting routes 1 and 2 - 2,785 billion VND).</li> </ul>	

# STEEL SECTOR

## OVERCOMING CRISIS



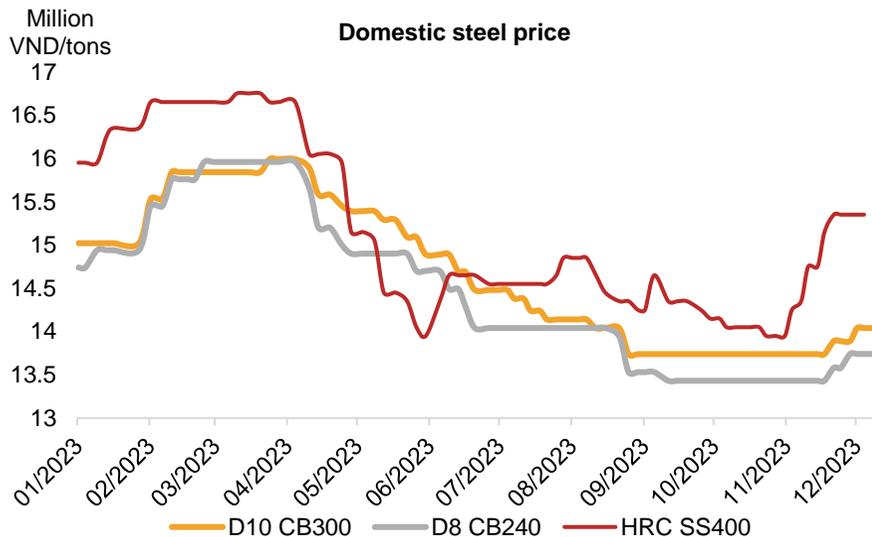
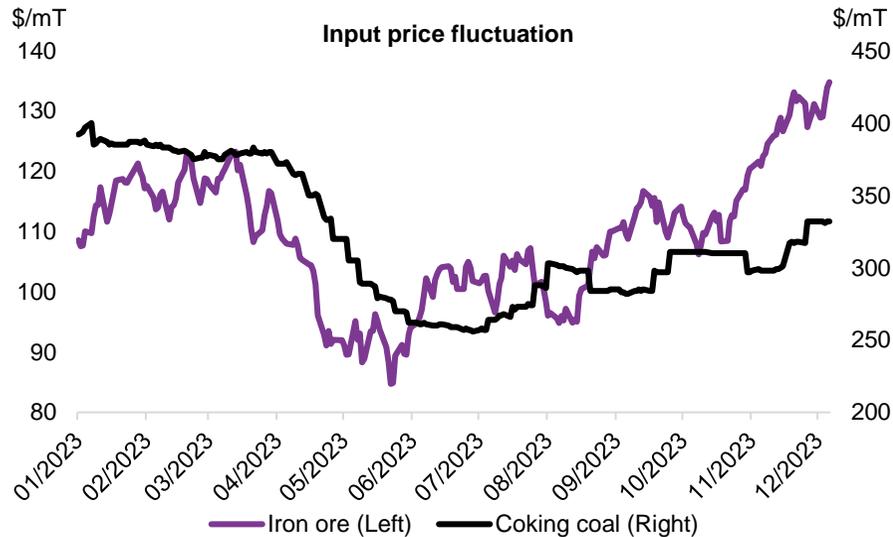
**Low demand restricted recovery.** By the end of November 2023, steel production reached 25 million tons (- 7.8% YoY) while consumption amounted 23.7 million tons (- 5.6% YoY). Weak domestic consumption capability hindered the potential growth, despite improvement witnessed in late of 2023.



**Export activity has been an achievement.** The great export volume of steels, particularly HRC, covered the reduction in local consumption throughout the year. Specifically, when ASEAN market started showing sign of sluggish demand in Q2, targeting new potential markets such as EU has clearly assisted Vietnamese firms in diversifying their customer base, demonstrating their adapting capability through difficult time.

Vietnam has exported a total amount of 9.14 million ton in the first 10 months of 2023 (+ 30.74% YoY). ASEAN and EU have been the main markets with the respective weights of 31.46% and 24.12%.

# STEEL SECTOR OVERCOMING CRISIS



Sources: Bloomberg, giathepton, steelonline, PSI

**Steel prices determined by input materials.** Due to low consumption, steel prices have depended heavily on the price fluctuation of input materials, putting the steel manufacturers into difficulty of controlling stable gross margin level.

**A uncertainty year of input materials.** Low consumption of steel has caused the price reduction of input materials of iron ore and coking coal during the first half of 2023. Business operations and exporting activities were delayed, hence pushing majority of iron ore and coal factories into negative territory. The situation, however, has been reversed in latter half of 2023 due to:

- Tight supply of steel due to the restrictions of Chinese authorities on steel production.
- Chinese expansionary monetary and fiscal policies which were adopted to activate the economic recovery, particularly for the real estate industry.

***We believe that the steel industry still needs more time to recover from the crisis, particularly regarding domestic consumption. Export activities of steel products such as construction steel or HRC will continue to be intensified. However, it can be observed that the steel industry has been bottomed out and a boost in domestic consumption is thus required for a move towards a new phase of development in the industry's new cycle.***



# STEEL SECTOR

## STOCK RECOMMENDATION

No.	Ticker	Catalysts	Risks
1	HPG	<ul style="list-style-type: none"> <li>- <b>Leading position in steel industry</b> enables HPG to actively set the selling prices, thus its gross margin is maximized.</li> <li>- <b>Great capability of exporting</b> multiple lines of steel such as construction steel, HRC to the US, EU, etc.</li> <li>- <b>Closed production process</b> allows the minimization of incurred costs.</li> </ul>	<ul style="list-style-type: none"> <li>- The recovery of domestic market consumption is expected to be slow in 2024.</li> <li>- Export activities are contingent upon the steel global demand.</li> <li>- Prices of construction steels, HRC, galvanized steel sheets, steel pipes, and raw material inputs such as iron ore, coke, etc., are typically unpredictable and significantly influenced by market supply and demand dynamics.</li> </ul>
2	NKG	<ul style="list-style-type: none"> <li>- <b>Benefitting from the export of HRC</b> thanks to price difference between North America and Vietnam, and <b>steel pipes</b>, amidst limited supply.</li> <li>- The price of HRC is showing an upward trend due to the gradual recovery of ore and coal prices, which will lead to <b>price increases in downstream products such as steel pipes</b>.</li> <li>- The <b>implementation of Nam Kim Phu My steel plant</b> (valuing at 4,500 billion VND) will be strongly pushed forward in 2024, elevating NKG's steel capacity to 400,000 tons per year.</li> </ul>	
3	HSG	<ul style="list-style-type: none"> <li>- <b>Benefitting from the export of galvanized steel sheets.</b> HSG currently leads the market in terms of consumption for this product.</li> <li>- <b>Low input price of HSG's HRC inventory.</b> The HRC price is increasing due to the gradual recovery of ore and coal prices, consequently creating opportunities of HRC trading for the company, and raising the price of galvanized steel sheets.</li> </ul>	

# FISHERIES SECTOR

## DECLINE FROM THE HIGH BACKGROUND IN 2022

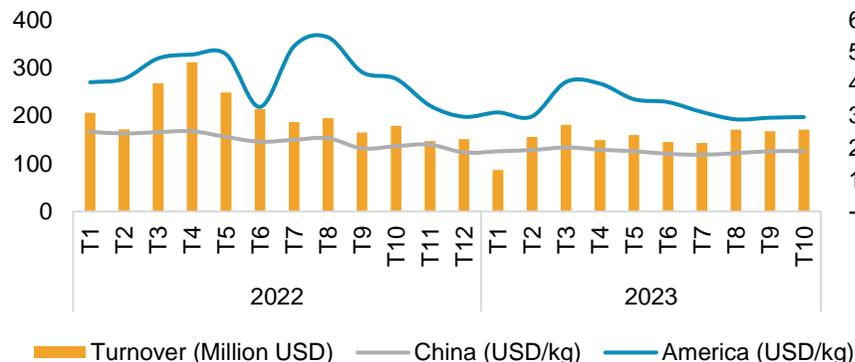
**Low consumer demand in markets.** Cumulatively in the first 10 months of 2023, seafood export turnover is estimated to reach nearly 7.5 billion USD (-20% YoY). Of which, pangasius and shrimp exports reached 1.5 billion USD (-28% YoY) and 2.8 billion USD (-24% YoY), respectively. High inflation in major economies has weighed on consumer sentiment, while inventory level remained high. Therefore, seafood exports decline sharply in 2023.

In 10M2023, we estimate the average selling price of shrimp and pangasius to markets has decreased by about 32% and 38% respectively YoY.

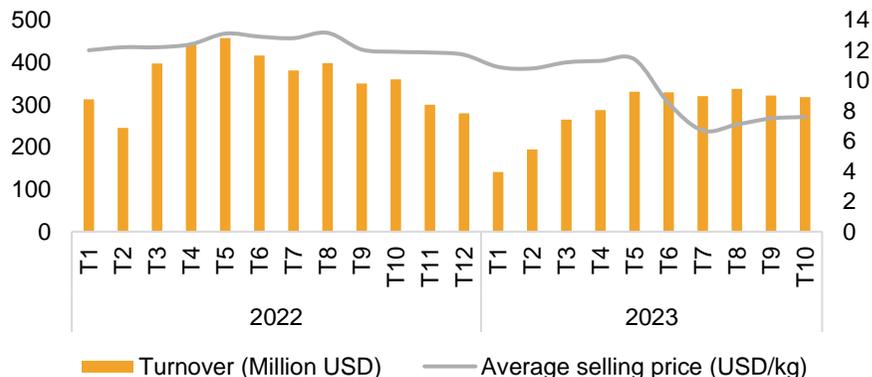
**Regarding input materials, raw pangasius prices decreased in 2023.** Raw pangasius prices fluctuate in the range of 22,000-30,000 VND/kg (-6% YoY), due to reduced demand for raw materials by manufacturing enterprises. Pangasius farming households are also not active in farming because the price of raw pangasius and pangasius fingerlings are lower than the production cost (due to high animal feed prices). Meanwhile, raw shrimp prices have shown signs of stabilizing after falling sharply.

**The US and China are the main export markets.** The US ranks first with about 1.3 billion USD (-32% YoY), while China ranks second with about 1.3 billion USD (-15% YoY).

**Pangasius export turnover and average selling price to the US and China**



**Shrimp export turnover and average selling price to the US**



Source: Agromonitor

# FISHERIES SECTOR

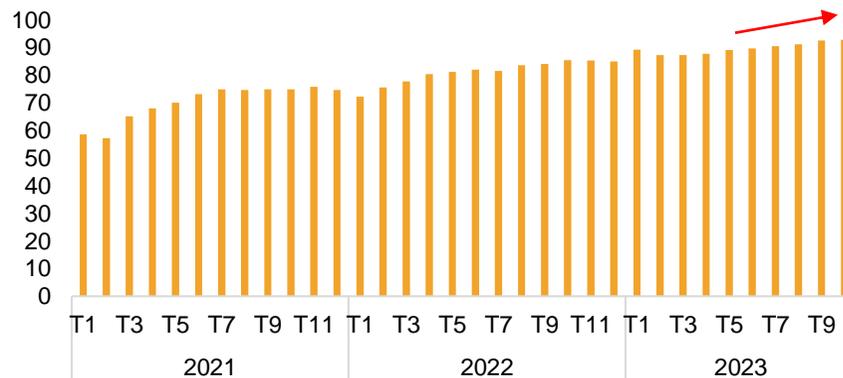
## RECOVERING FROM A CHALLENGING 2023

In the US market, we expect pangasius and shrimp export output to recover in 2024 thanks to: (1) Pangasius and shrimp consumption improvement when consumption and dining activities resume in 2024 as inflation cooled down, retail sales in the US rebound. In particular, the reasonably priced pangasius is gradually displacing other types of naturally exploited white fish; (2) Market inventory levels will drop following the holiday season in the end of 2023; (3) Low anti-dumping tax rates will remain in place.

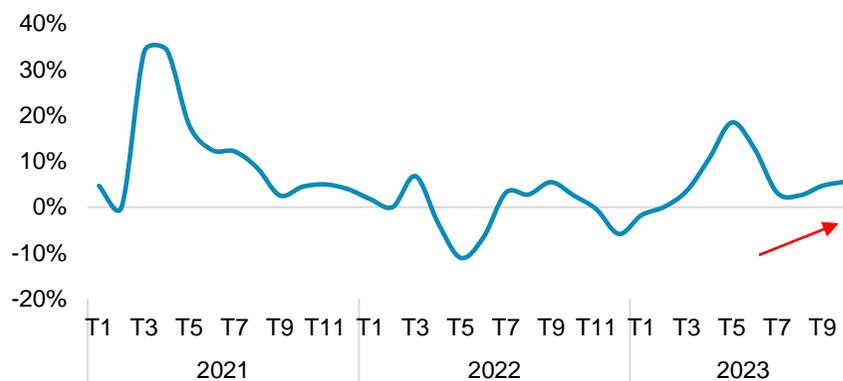
In the Chinese market, we expect export output to this market will also recover thanks to improved consumer and food demand. Retail sales improved after the implementation of numerous stimulus plans, indicating an economic rebound. Since the Chinese market is price-sensitive, however, as the average selling price is consistently roughly 40% less than that in the US market, the export pricing in this market is not likely to expand quickly.

In 2024, the average selling price is forecasted to be stagnant. As orders are starting to rise again, we anticipate supply constraints of both raw shrimp and fish, consequently price of raw materials is expected to rise in 2024.

Restaurant retail sales in the US (million USD)



China retail sales (YoY)



Source: Bloomberg, FRED, PSI Research

# FISHERIES SECTOR

## STOCK RECOMMENDATION

No.	Ticker	Catalysts	Risks
1	VHC	<ul style="list-style-type: none"> <li>- In 2024, the main business segment, pangasius, is expected to enhance thanks to the recovery in the order number and selling price reviewing to increase purchasing power of supermarket channel in the US market .</li> <li>- The company maintains the proportion of self-raised pangasius in total raw material needs at 70% to create flexibility. Along with that, expanding farming area and investing in the Fish Breeding Center will boost the raw material autonomy rate to 75%.</li> <li>- Thanh Ngoc Company is expected to officially operate in June 2023 after a trial period. The Board of Directors expects this segment's gross margin to be 15% and generate the revenue of 350 billion VND in this year.</li> </ul>	<ul style="list-style-type: none"> <li>- Demand for seafood products in the US and EU remains low because of economic difficulties and high price levels.</li> </ul>
2	ANV	<ul style="list-style-type: none"> <li>- Exports to the Chinese market will improve as inventories dwindle and consumption improves as the Chinese economy recovers.</li> <li>- When the US market demand picks back up, ANV will have a huge advantage thanks to the 0%-anti-dumping duty. The US market generates 1.9 million USD in revenue in the last five months of 2023, 1.4% of the company's export structure. In 2024, it is anticipated that Nam Viet's revenue will be greatly boosted by sales in the US market.</li> </ul>	<ul style="list-style-type: none"> <li>- China's seafood exports have suffered as well due to the decline in global demand. As a result, Chinese export companies have focused on the home market, thus reducing the import demand.</li> <li>- Selling prices in the Chinese market may increase slowly.</li> </ul>

# RESEARCH CENTER

## **Tuan Anh Tran, CFA**

Head of Research Center

Email: [tuanta@psi.vn](mailto:tuanta@psi.vn)

## **Dang Hai Dang Tran**

Deputy Head of Research Center

Email: [dangdth@psi.vn](mailto:dangdth@psi.vn)

## **Research Department**

### **Hoang Pham**

Senior Analyst

Email: [phamhoang@psi.vn](mailto:phamhoang@psi.vn)

### **Bao Quoc To**

Head of Market Strategy team

Email: [baotq@psi.vn](mailto:baotq@psi.vn)

### **Duy Duc Nguyen**

Senior Analyst

Email: [duynd@psi.vn](mailto:duynd@psi.vn)

### **Dung Viet Dong**

Senior Analyst

Email: [dungdv@psi.vn](mailto:dungdv@psi.vn)

### **Le Thi Ngoc Vu**

Senior Analyst

Email: [levtn@psi.vn](mailto:levtn@psi.vn)

### **Tri Phu Nguyen**

Analyst

Email: [trinp@psi.vn](mailto:trinp@psi.vn)

## **Communications Department**

### **Thanh Bui Dang**

Head of International Cooperation

Email: [thanhbd@psi.vn](mailto:thanhbd@psi.vn)

### **Trang Quynh Nguyen**

Senior Associate

Email: [trangnq@psi.vn](mailto:trangnq@psi.vn)

### **My Huyen Ha Vu**

Senior Associate

Email: [myvhh@psi.vn](mailto:myvhh@psi.vn)

### **Quang Minh Nguyen**

Senior Associate

Email: [quangnm@psi.vn](mailto:quangnm@psi.vn)



**CHỨNG KHOÁN DẦU KHÍ**  
PETROVIETNAM SECURITIES INC.

**PSI**

## CONTACT PETROVIETNAM SECURITIES INCORPORATED

Hanoitourist Tower, No. 18 Ly Thuong Kiet Street, Hoan Kiem District, Ha Noi  
Tel: + 84 4 3934 3888 - Fax: +84 3934 3999 - Website: www.psi.vn

### **Ho Chi Minh City Branch**

1st floor, PVFCCo Tower, No. 43 Mac Dinh Chi Street, Da Kao, District 1, Ho Chi Minh City.  
Tel: (84-8) 3914 6789  
Fax: (84-8) 3914 6969

### **Vung Tau Branch**

5th floor, Silver Sea Tower, No. 47 Ba Cu Street, Vung Tau City  
Tel: (84-64) 254520/22/23/24/26  
Fax: (84-64) 625 4521

### **Da Nang Branch**

G floor and 1st floor, PVcomBank Da Nang Tower, Land lot A2.1 30/4 Street, Hoa Cuong Bac,  
Hai Chau District, Da Nang City  
Tel: (84-236) 389 9338  
Fax: (84-236) 38 9933

#### RESEARCH CENTER

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