



CHỨNG KHOÁN DẦU KHÍ
PETROVIETNAM SECURITIES INC.

PSI

MARKET OUTLOOK

2ND HALF OF 2022





CHỨNG KHOÁN DẦU KHÍ
PETROVIETNAM SECURITIES INC.

MACROECONOMIC OUTLOOK

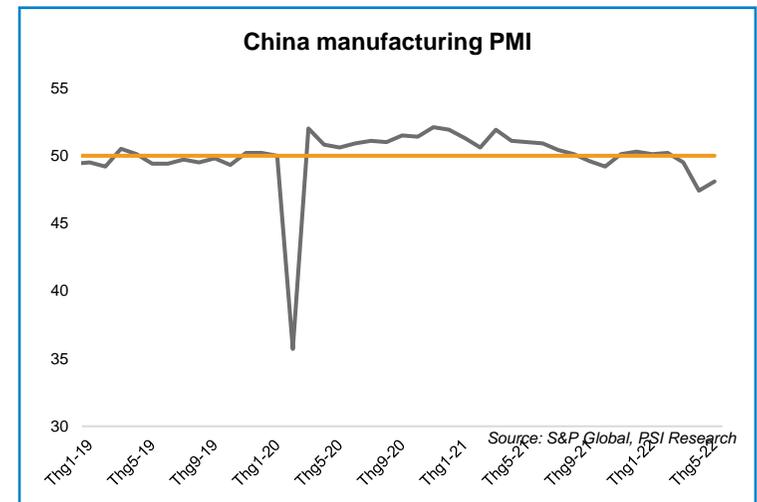
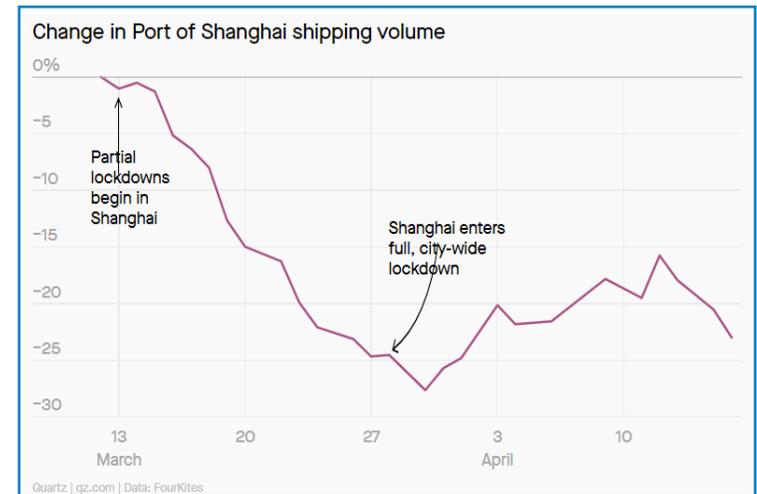


A GLANCE OF GLOBAL ECONOMY 1H2022

CHINA IS BEING IMPACTED BY OMICRON VARIANT

Lockdown measures have affected approximately 400 million people in 45 cities and disrupted supply chains. Shanghai has been blocked for many days made goods at the busiest container port in the world being congested.

China's manufacturing industry has shrunk for the third straight month since March, when the country began mass lockdowns. The contraction only eased when the Government of this country gradually lift lockdowns in May. However, the latest blockade orders may continue to push the Chinese economy into a more difficult situation.



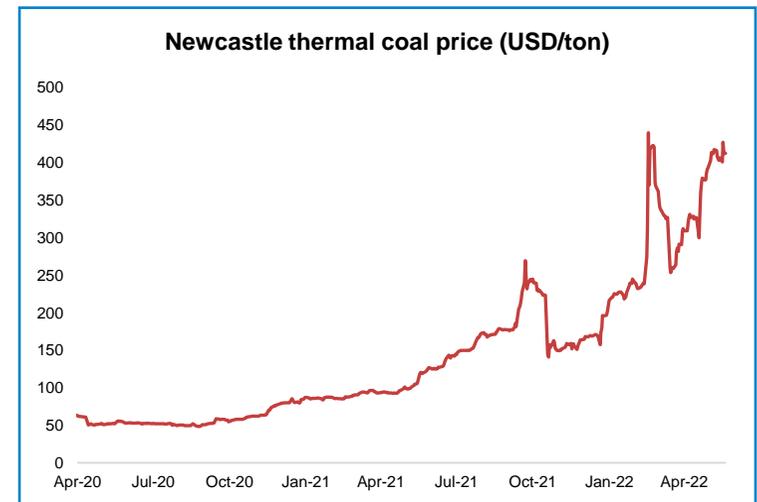
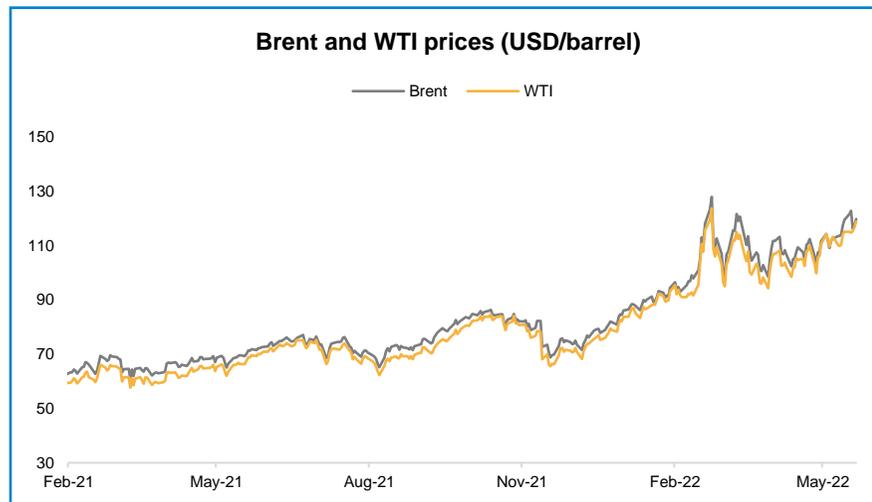
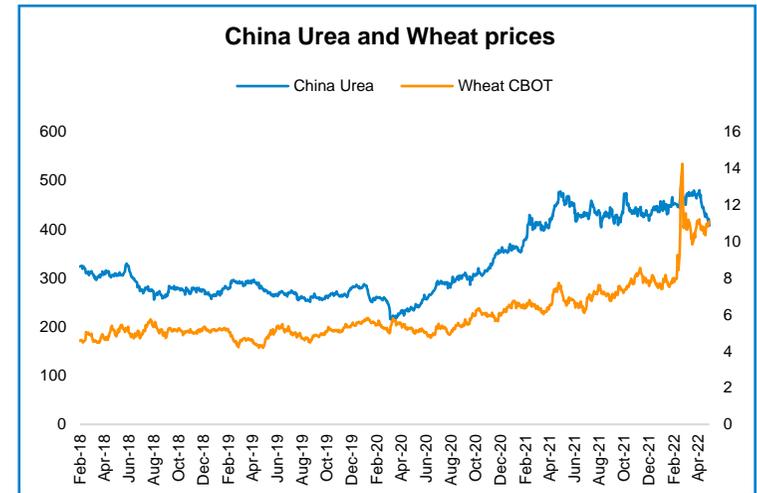
A GLANCE OF GLOBAL ECONOMY 1H2022

COMMODITY PRICES SOARED

Brent and WTI crude oil prices increased by 53.9% and 58.1% respectively compared to the beginning of the year. In the last OPEC meeting in May, members decided to increase their production by 216 thousand barrels/day each month in July and August, but this expansion only meets about 0.4% of global oil demand in the same period.

Fertilizer and wheat prices are 14.38% and 44.76% higher, respectively, than one year average after the war broke out between Russia and Ukraine, two countries account for more than 25% of global wheat exports.

Coal prices also returned to the peak due to scarce supply and high demand for coal to replace the surging oil and gas prices.



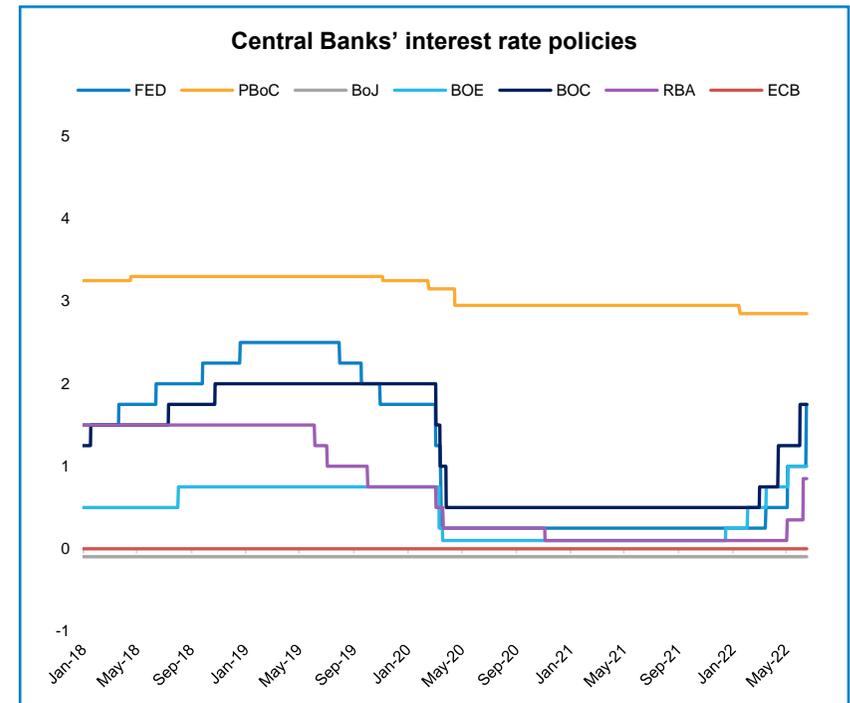
Source: Bloomberg, PSI Research

A GLANCE OF GLOBAL ECONOMY 1H2022

CENTRAL BANKS' INTEREST RATE POLICIES

Many central banks around the world have adjusted their monetary policy towards narrowing to cope with inflation.

- Fed has raised interest rates 3 times with a total increase of 175 bps since the beginning of the year and is likely to continue to raise interest rate in the upcoming meetings in the context of US inflation not cooling down.
- Similar to FED, the central banks of Canada, the UK, Korea, India, etc. simultaneously raised interest rates to cope with inflation.
- The European Central Bank is also considering raising interest rates from July to protect the value of its currency. It is expected that the ECB interest rate will surpass 0% by September 2022.
- On the other hand, BOJ is steadfast in its current monetary policy despite the 20-year low of JPY
- PBoC even went against the general trend by lowering medium-term lending rates to help China's economy that is being hurt by mass blockades until the end of May.



Source: Bloomberg, PSI Research

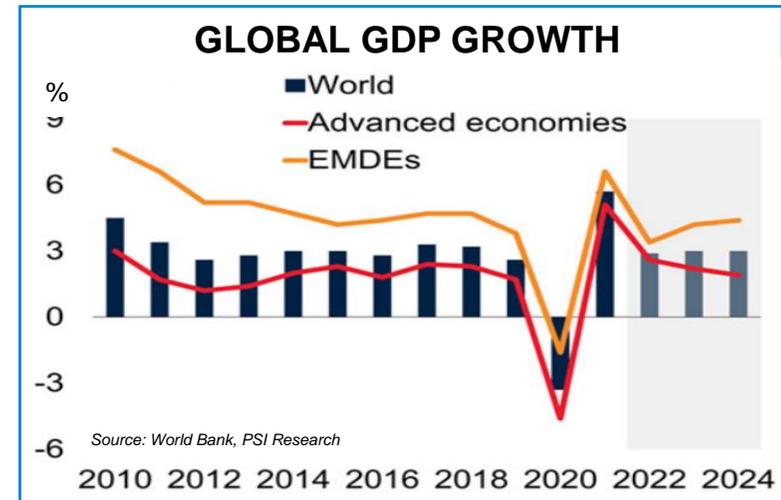
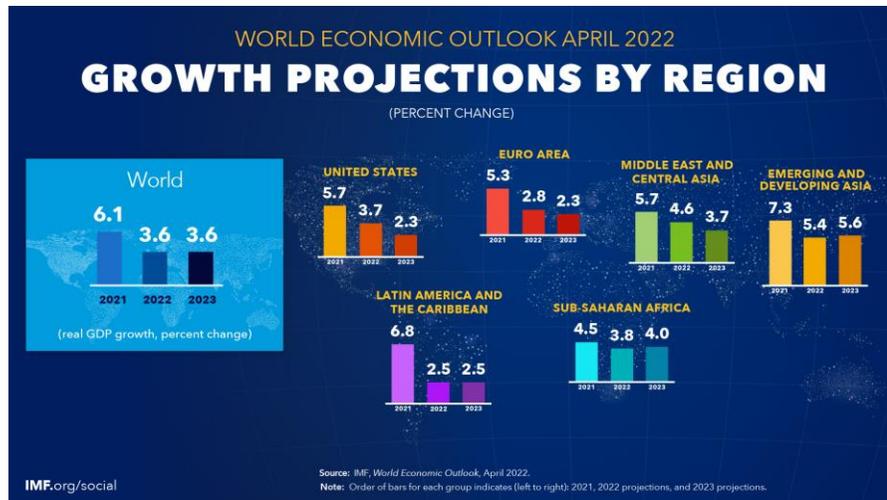
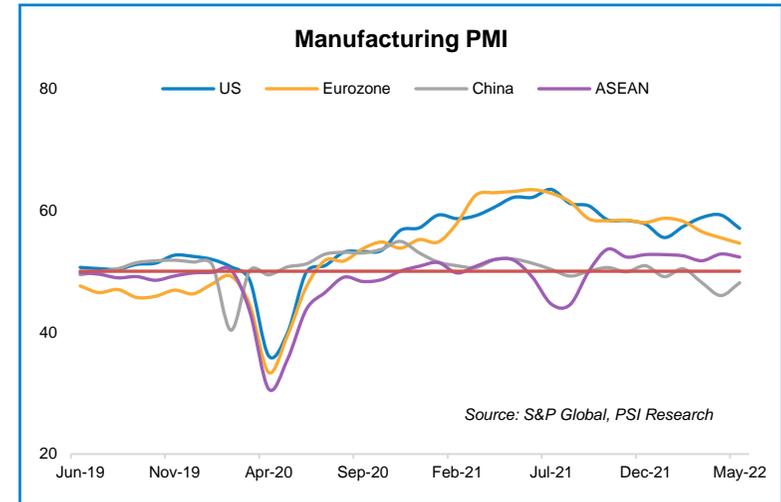
GLOBAL ECONOMIC OUTLOOK 2H2022

THREATS FROM STAGFLATION

Supply chain disruptions and geopolitical risks caused inflation to skyrocket in many countries. The burden of costs makes the world's vulnerable economy, which has just recovered from the Covid-19 epidemic, face the risk of "stagflation".

Most economic organizations have downgraded their growth forecasts for the global economy in 2022. The IMF forecasts world economic growth in 2022 to reach 3.6% YoY, the World Bank is even more cautious when giving it, only 2.9%, lower than the forecasts made in January of 0.8 percentage points and 1.2 percentage points respectively.

The IMF raised its inflation forecast for 2022 to 5.0%, double from the previous year's 2.5%, while the World Bank implied that the "stagflation" of the 1970s would return.



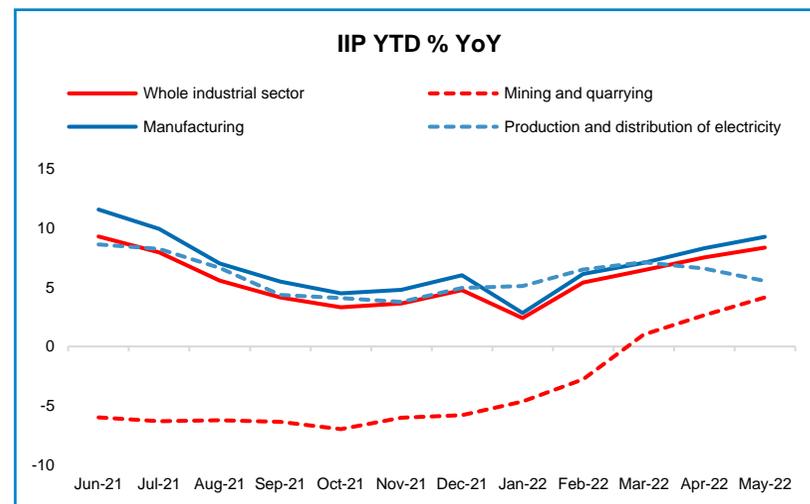
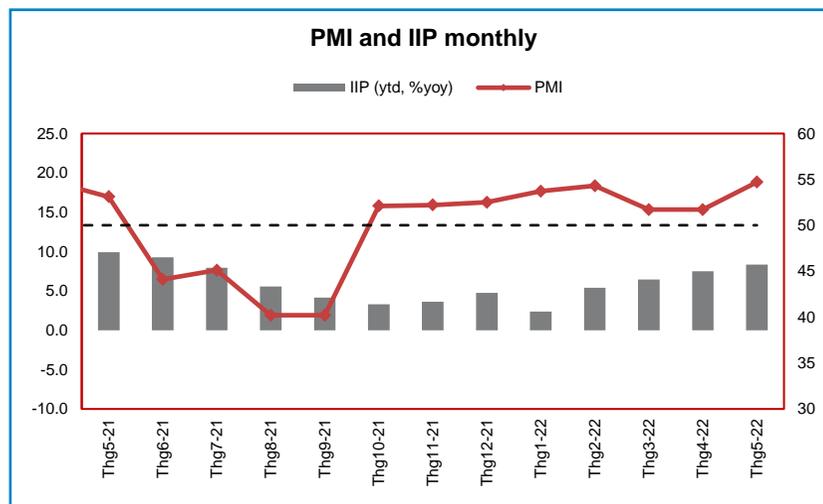
VIETNAM ECONOMIC BRIEFING 1H2022

STEADY GROWTH

Vietnam's economy recovered quickly in the second quarter after the first quarter faced a strong wave of infection of the Omicron variant. The domestic business environment is continuously improving, manufacturers are optimistic about business prospects in the present and the upcoming time.

Vietnam PMI in May reached 54.7 points, the highest level in 12 months. S&P Global's survey showed that both output and orders rose sharply in May. The employment PMI also improved as businesses expanded production to accommodate new orders. Inventories have decreased for 2 consecutive months, showing a significant increase in consumer demand both at home and abroad.

The industrial production index IIP in May increased by 10.37% over the same period with the leading position being the processing and manufacturing industry. Accumulated from the beginning of the year until now, IIP has increased by 8.34%.



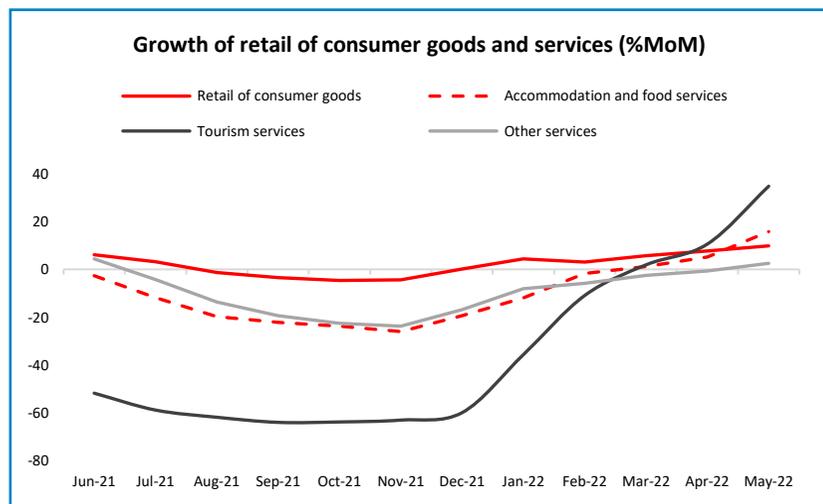
Source: GSO, S&P Global, PSI Research

VIETNAM ECONOMIC BRIEFING 1H2022

STEADY GROWTH

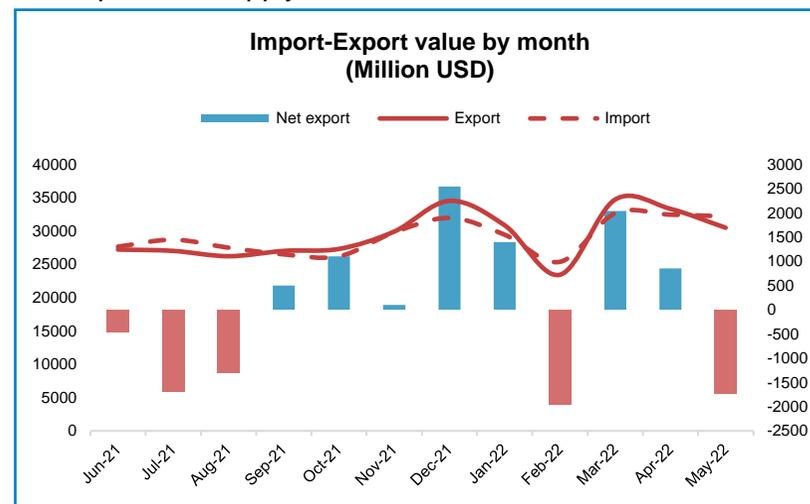
Domestic demand for consumption increased rapidly from the second quarter when the Covid-19 infection rate dropped sharply, and the number of jobs increased.

Retail of consumer goods and services in the first 5 months of 2022 grew by 9.69% YoY, in which restaurant and tourism services recovered the most with growth rates of 15.75% and 34.7%, respectively. Tourism recovered strongly owing to the lifting of restrictions. We expect the travel service to be a growth engine for Vietnam's economy in the coming months due to the summer holiday.



International trade continues to be the primary growth engine for the economy.

Total import-export turnover in the first 5 months of the year reached USD 305 billion, up 16.06% YoY, in which, export reached USD 152.8 billion, import reached USD 152.2 billion. Accumulated from the beginning of the year, the trade balance had a surplus of USD 590.4 million. Import and export activities maintained a high growth rate despite the longer delivery time of input materials since the disruptions in supply chain from China.



Source: GSO, Customs, PSI Research

VIETNAM ECONOMIC BRIEFING 1H2022

INFLATION SPEEDS UP

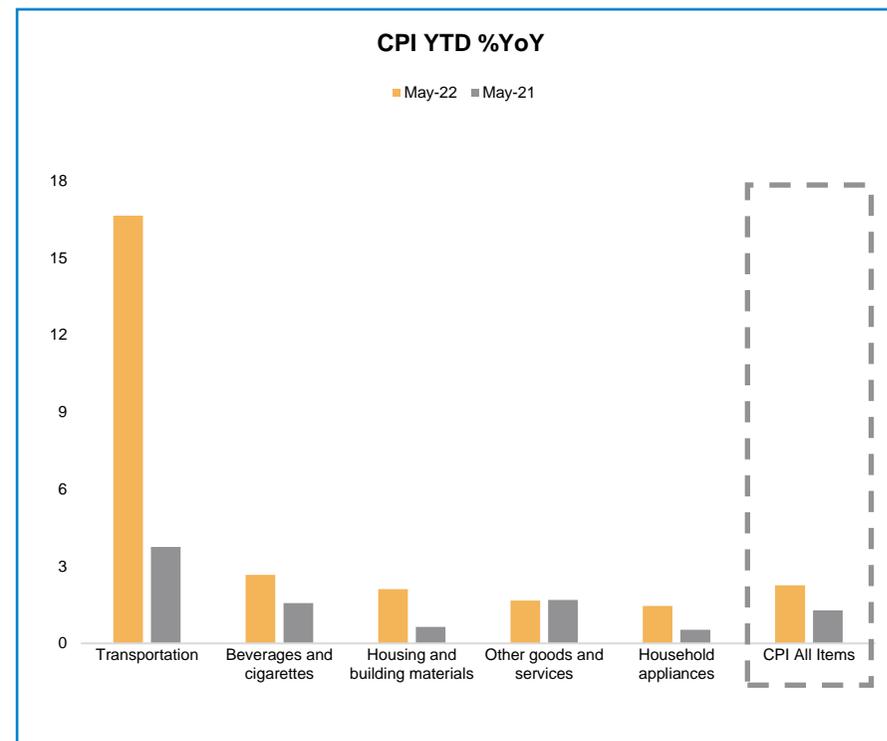
CPI in the first 5 months of the year increased by 2.25% and tended to accelerate.

Inflation continues to be the main risk to the Vietnamese economy. The cost of transportation is the factor that has the strongest impact on CPI. Since the beginning of the year, gasoline prices have increased 13 times with the total escalation of roughly 50% YoY, making CPI increased by 1.8 percentage points.

In addition, cost for food away from home began to put pressure on CPI when people returned to normal life after a long time of restrictions due to the epidemic.

The recovery of domestic demand creates opportunities for manufacturers to pass the cost burden on to consumers. In May, the growth rate of commodity prices was faster than the previous month. We believe that, with the increase in consumer demand, inflation will peak in the next 2 or 3 months.

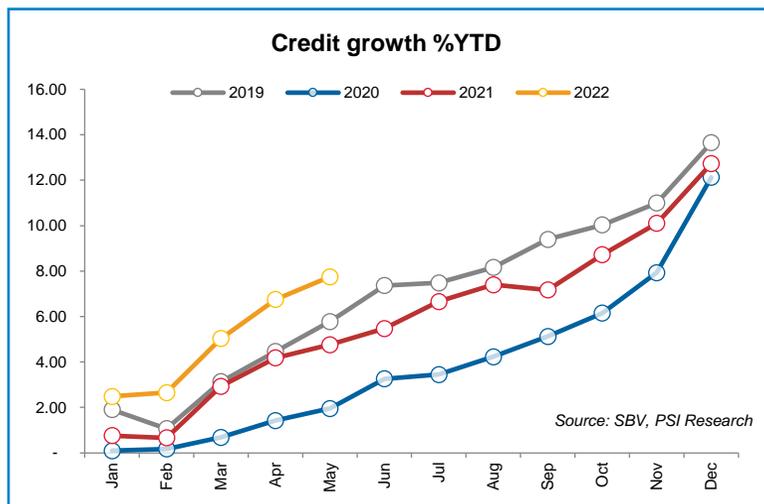
However, as a manufacturing and processing country in the global supply chain, Vietnam is able to produce a lot of essential goods and thus can avoid importing inflation from other countries.



Source: GSO, PSI Research

VIETNAM ECONOMIC BRIEFING 1H2022

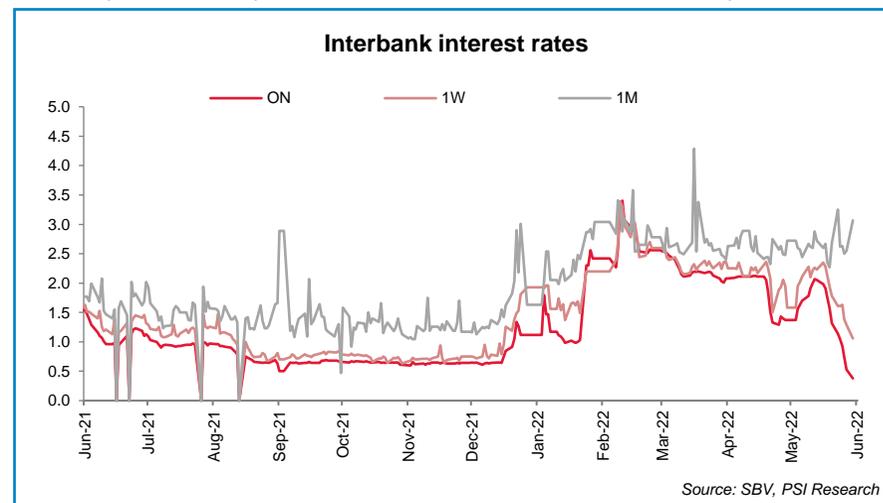
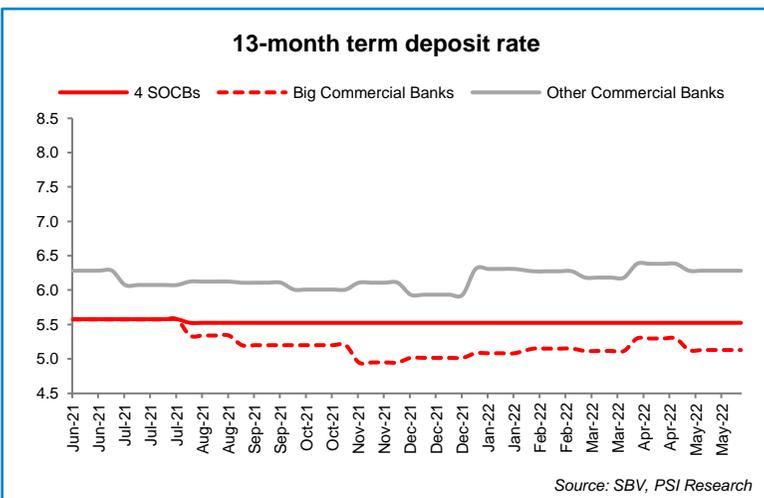
MONETARY MARKET



The strong credit growth shows that the economy is recovering quickly, the capital need for business activities is much higher than in previous years. Accumulated in the first 5 months of the year, credit has increased by 7.75%, higher than the pre-epidemic level even though the State Bank has net withdrawn money from the banking system via OMO channel since the beginning of the year.

The interest rate level in general is still relatively low although the group of private commercial banks has increased deposit rates for both short and long terms since the beginning of the year since the spread between deposit and credit is narrowing.

System liquidity improved significantly in the second half of May. The overnight interbank rate fell 174 bps in the last 20 days of May to 0.33%/year, the lowest level in more than 1 year.

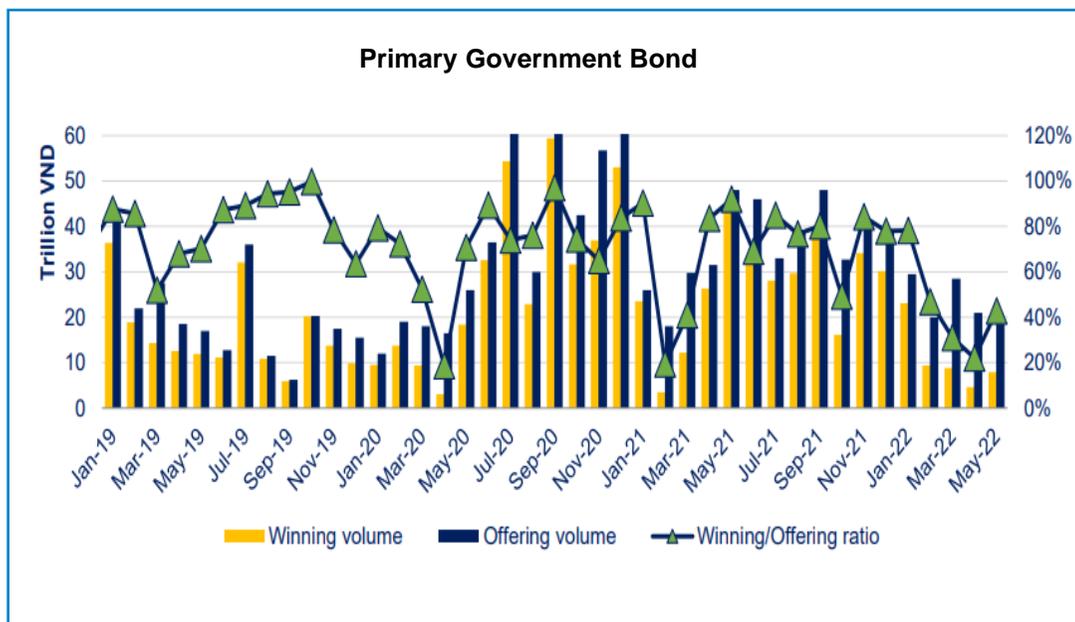
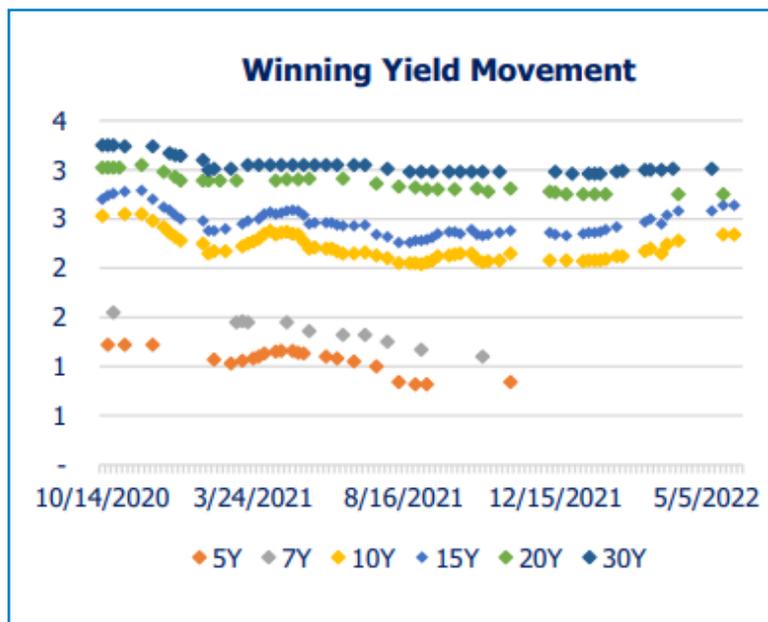


VIETNAM ECONOMIC BRIEFING 1H2022

GOVERNMENT BONDS MARKET

Since the beginning of the year, State Treasury of Vietnam has issued a total of VND 53,812 billion of government bonds, equivalent to 13% of the 2022 plan. In which, long-term government bonds tend to be more attractive. Compared to the same period last year, the issuance value of government bonds of most tenors decreased sharply, except 30-year government bonds increased by 20.41%.

In the context that State budget revenue in the first 5 months of the year reached 57.1% of the year plan while disbursement was only 27.7%, the State Treasury did not have an urgent need for capital and therefore did not need to raise the winning yields despite the relatively low winning rate. Winning yields for 10-year and 15-year tenors witnessed an uptrend in the first 5 months of the year while 20-year tenor yield decreased slightly.



Source: VBMA, PSI Research

VIETNAM ECONOMIC BRIEFING 1H2022

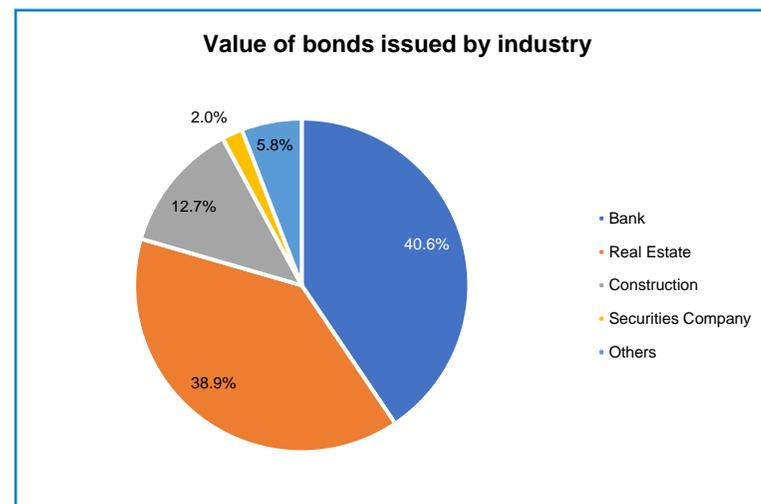
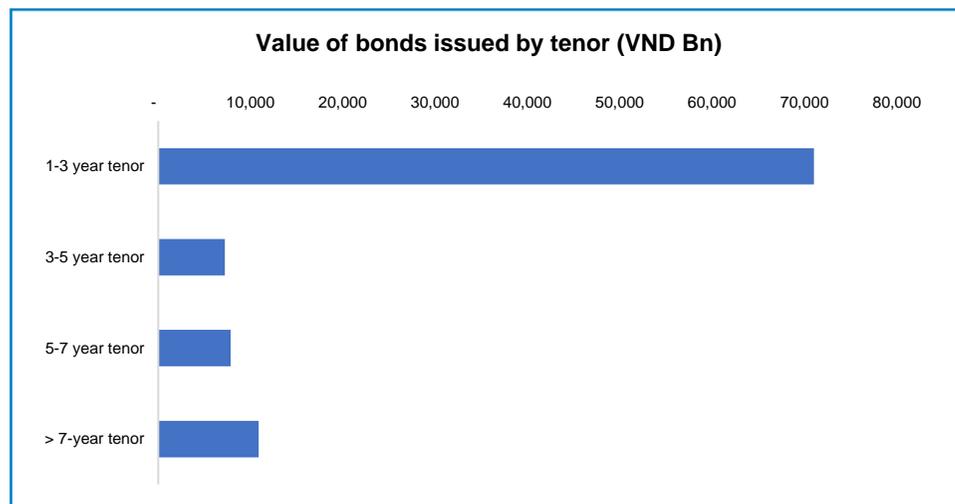
CORPORATE BONDS MARKET

The corporate bond market has been subject to many fluctuations since April with a lot of negative information.

From the beginning of the year to the end of May 2022, there were a total of 160 separate issuances of corporate bonds with a total value of about VND 104.828 billion (accounting for 92.09% of total value) and 17 issuances to the public with the value of VND 8,996 billion (accounting for 7.91% of the total value). The value of bond issuance to the public increased by 11% and the value of private bond issuance decreased by 23% compared to the same period last year.

Most businesses issue short-term bonds, from 1-3 years. Bonds with maturities over 7 years are mainly issued by banks. In addition, some well-known real estate enterprises also issued bonds with a term of more than 5 years.

After 2 years of blooming, the bond market revealed a lot of misconduct, especially in the group of real estate bonds, causing this market to fluctuate strongly since April. The volume of corporate bonds issued (excluding banks) fell sharply. The weakening of the corporate bonds market caused businesses more limited in capital mobilization options and put more pressure on the banking system, which showed signs of decreasing liquidity in the first half of the year.



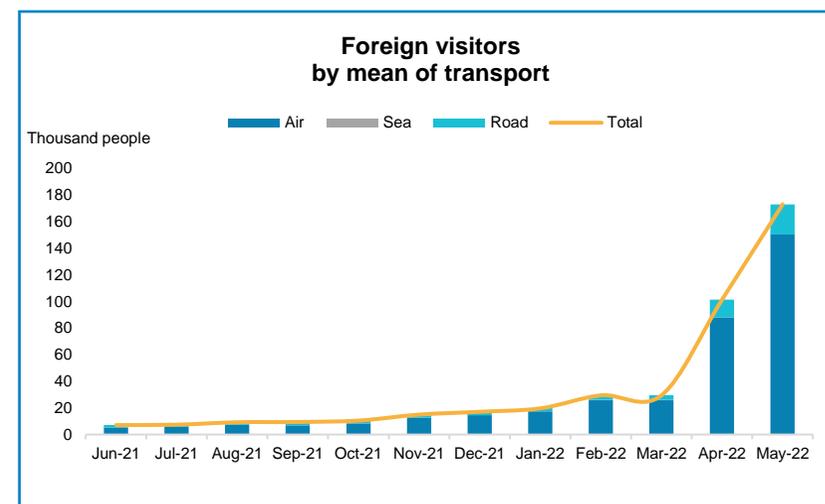
VIETNAM ECONOMIC OUTLOOK 2H2022

TARGET GDP GROWTH OF 6%-6.5%

Vietnam has high chance to achieve the economic growth target of 6%-6.5% in 2022 considering:

- (1) Export activities lead economic growth with FDI enterprises as the driving force.
- (2) The strong recovery of the tourism and food service industry after the Ministry of Health removed the Covid test requirement for entry and the trend of "revenge" consumption on the basis that Vietnam's economy is still growing positive within 2 years of the epidemic.

FISCAL POLICIES	
Unit: VND Bn	
176,000	Development investment expenditure (Direct from the State budget)
14,000	Invest in building, renovating, upgrading and modernizing health care system
8,150	Social security, labor, employment
40,300	Support enterprises, cooperatives, business households (of which VND 40 trillion support interest rate 2%/year; 300 billion VND to develop tourism)
113,550	Investment in infrastructure development
2%	2% VAT reduction in 2022 for groups of goods and services currently subject to 10% VAT (except finance, banking, real estate...)
38,400	Issuance of Government-guaranteed bonds for Vietnam Bank for Social Policy
6,600	House rent support for employees



Source: GSO, PSI Research

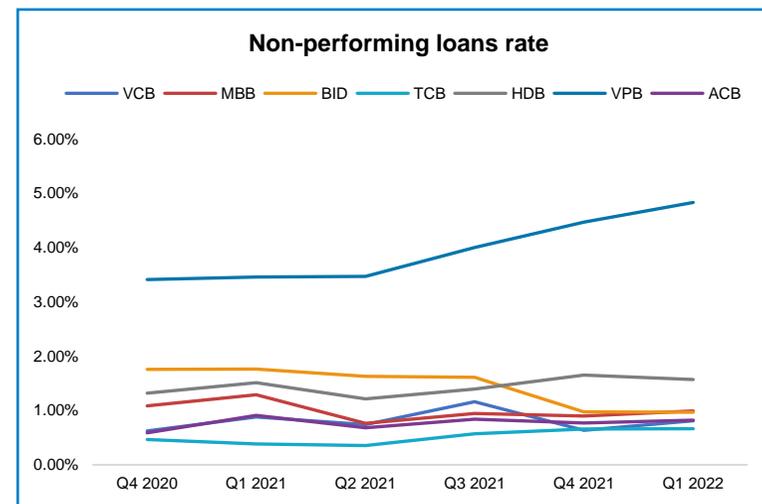
(3) Expectation of accelerating disbursement of a socio-economic support package worth VND 350 trillion, promoting many key economic sectors and public investment as the driving force for growth besides personal and household consumption. The group of fiscal policies includes solutions such as reducing VAT by 2%, exempting and reducing taxes, fees, and land levies about VND 64 trillion; Investment and development spending of VND 176 trillion and policies to support employment and housing for employees are expected to promote the development of real estate and industrial sectors, and at the same time contribute to economic growth by increasing domestic demand through public investment packages in infrastructure construction.

VIETNAM ECONOMIC OUTLOOK 2H2022

POTENTIAL RISKS

Inflation: The prices of crude oil and many input materials are anchored at a high level due to scarce supply and supply chain disruptions from China, Vietnam's largest import partner, causing production costs to be pushed up significantly. However, compared to the US and Europe, Vietnam's inflation rate is still very low owing to the ability to proactively produce most staple goods. Furthermore, SBV has not modified its operational interest rate since the beginning of the year, indicating that Vietnam still has a lot of room to boost interest rates to restrain inflation. However, we anticipate that Vietnam's CPI would rise by more than 5% in 2022, exceeding the National Assembly's target of 4%. In the second half of 2022, the operating rate is projected to be slightly increased.

Bad debts in banking system would soar. The expiration of Circular 14/2021/TT-NHNN on July 1, 2022, will require banks to re-evaluate debts restructured in two previous years. Since many firms went bankrupt during the Covid epidemic, we believe the rate of bad debt in the financial sector rises substantially. Moreover, the value of speculative assets such as real estate and equities collateralized at banks, which has climbed significantly in the last two years, is being adjusted sharply, potentially making loans guaranteed by these types of assets riskier.



Source: FinTrade, PSI Research

The fiscal policy package continues to fail to meet the disbursement schedule. If the disbursement of public investment packages and fiscal support are not hastened, it may diminish economic growth possibilities, particularly when inflation exceeds people's real disposable income, reducing individual and household spending and negatively influencing output and investment.



CHỨNG KHOÁN DẦU KHÍ
PETROVIETNAM SECURITIES INC.

STOCK MARKET OUTLOOK



VIETNAM STOCK MARKET LAST 6 MONTHS OF 2022

“PANNING GOLD OUT OF GRAVEL”

1. Stock Market

- Vietnam's stock market has observed a strong adjustment of the index and a liquidity exhaustion in April and May.
- After falling more than 300 points from the peak at 1,528.57 points, VNIndex has returned to 1,200 points, and this old important peak corresponds to the P/E ratio of 13.1 (10 years average -1 SD) – much smaller than the average in 10 years.

2. Equity Market

- Companies in the market kept growing 29% in revenues and 32% in profits in the first quarter of 2022.
- We expect that this growth will continue for the remaining of 2022 thanks to a solid macroeconomics with the main motivations come from export activities, domestic consumption, and government policies.

3. Vietnam's Macroeconomics

- Inflation continues to be the main risk to the Vietnamese economy. However, as a manufacturing and processing country in the global supply chain with the ability to self-produce most of the necessity goods, Vietnam will limit the need to import inflation from the world.

4. World's Macroeconomics

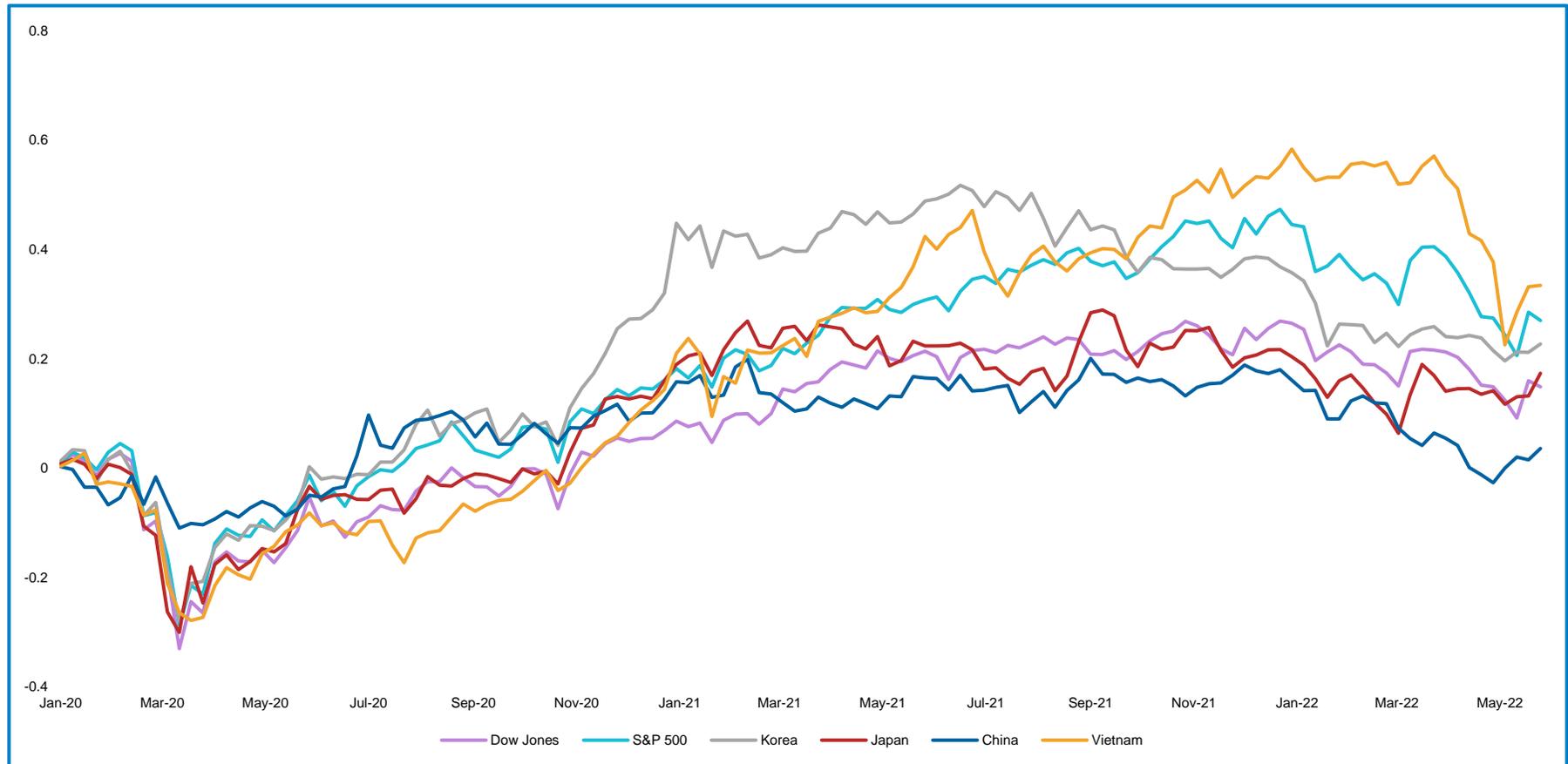
- Risks from the world market with concerns coming from The Geopolitical Implications of the Russian-Ukraine Crisis, the blockade order in China causing supply chain disruptions and the “ghost” of stagflation - a rare economic state as the combination of high inflation, high unemployment and low growth - threatening the two main economic regions of the world, the US and the EU, the stock market will continue to plummet further.

5. Forecast

- Vietnam's stock market is likely to continue to experience corrections together with the world market, but it will accumulate and recover after that, with the basic scenario that the VNIndex will accumulate in the next few days and fluctuate between 1,165 - 1,365 points with P/E forward of 13.3 (10 years average -1 SD)

VIETNAM STOCK MARKET LAST 6 MONTHS OF 2022

GLOBAL FINANCIAL MARKETS IN DOWNTREND

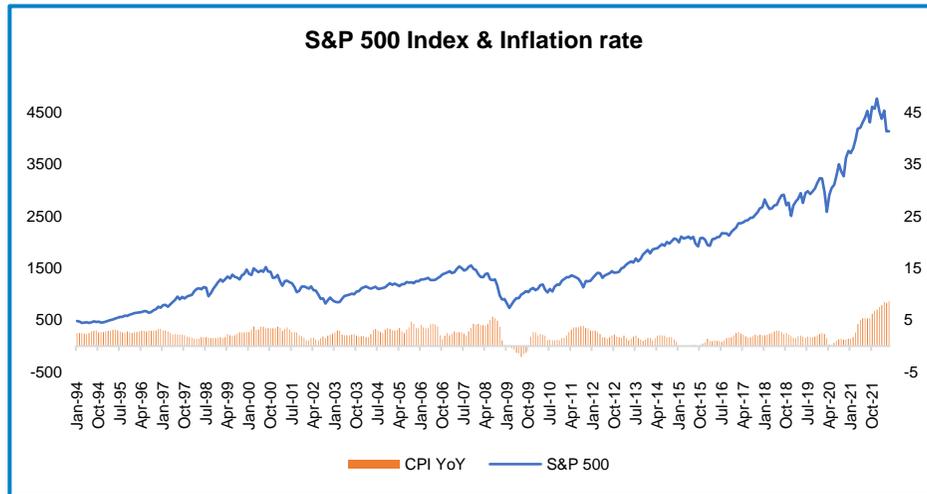


Source: Bloomberg, PSI Research

- Global stock markets fell sharply due to concerns about inflation continuing to soar, influenced by The Geopolitical Implications of the Russian-Ukraine Crisis and changing policies of central banks around the world.

VIETNAM STOCK MARKET LAST 6 MONTHS OF 2022

IMPACT OF FED'S MONETARY POLICIES ON STOCK MARKET



Source: Bloomberg, PSI Research

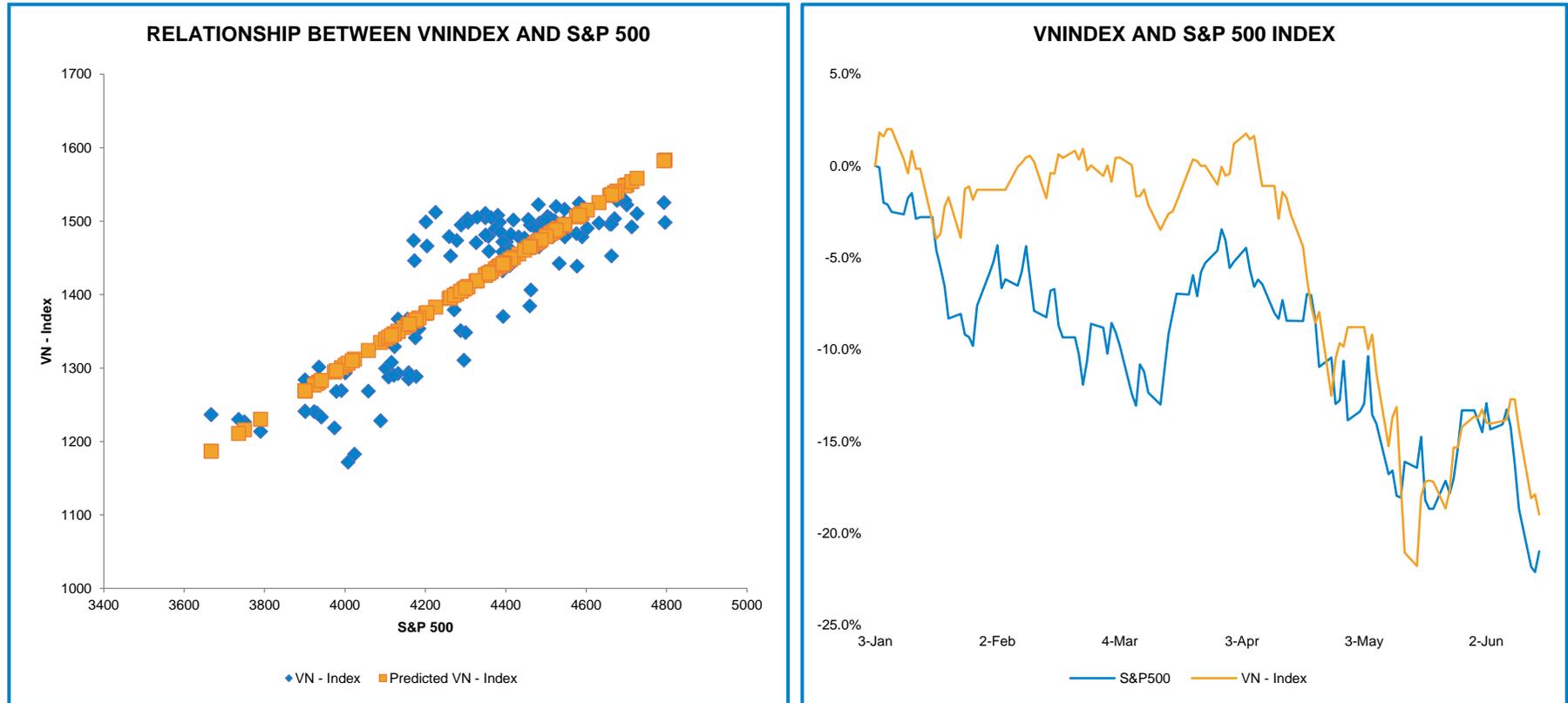
- According to Records of FED policy moves from 1994 to now, the Federal Reserve had 77 interest rate adjustment meetings, including 43 times of upward adjustment with an increase of 25-75 basis points (0.25% – 0.75%).
- Notably, in March 2020, the FED had 2 emergency meetings to reduce interest rates by 50 and 100 basis points, respectively 0.5% - 1% to support the economy in the context of Covid-19 pandemic breaking out around the world.
- At the end of the meeting on June 15, 2022, the FED raised the interest rate by 75 basis points (0.75%) - the highest increase since 1994.
- Currently, the US Central Bank's benchmark interest rate is fluctuating at 1.5% - 1.75%, the highest since just before the Covid-19 pandemic took place in March 2020.

Fed interest rate through history		S&P 500 Index rate changes after interest adjustment		
Rate change (BPS)	Times	3 Days	7 Days	21 Days
75	2	-0.77%	-3.21%	-2.56%
50	5	-0.52%	-1.43%	-0.02%
25	36	-0.32%	-0.63%	-0.06%
-25	16	-0.02%	0.23%	0.28%
-50	14	-0.86%	-0.65%	-1.44%
-75	3	1.12%	1.99%	4.11%
-100	1	-6.71%	-14.98%	-8.20%
Total	77			

Source: FEDERAL RESERVE, PSI Research

VIETNAM STOCK MARKET LAST 6 MONTHS OF 2022

RELATIONSHIP BETWEEN VIETNAM STOCK MARKET AND THE US STOCK MARKET



Source: Bloomberg, PSI Research

- The Coefficient of determination (R - Squared) between the VNIndex and the S&P 500 index of the US stock market in the period Jan 1st to June 15th 2022 has a relatively high value of 0.73. This shows that the movements of Vietnam's stock market since the beginning of the year have been strongly influenced by the US market.

VIETNAM STOCK MARKET IN LAST 6 MONTHS OF 2022

INFLATIONARY PRESSURE PUSHES UP INTEREST RATES

Region	Country	Indices	Index	YTD	P/E	P/B
Americas	US	S&P 500 Index	3,789.99	-20.99%	18.95	3.77
	US	Dow Jones	30,668.53	-16.17%	16.52	4.15
Europe	Europe	SXXP Index	413.10	-15.69%	14.87	1.75
Asia Pacific	Asia Pacific	MXAPJ Index	529.79	-15.84%	12.14	1.34
East Asia	China	SCHOMP Index	3,305.41	-9.19%	13.40	1.47
	Japanese	Nikkei 225	26,326.16	-8.56%	18.72	1.64
	Korea	KOSPI Index	2,447.38	-18.11%	10.50	0.93
	HongKong	HSI Index	21,308.21	-8.45%	7.86	0.86
South East Asia	Singapore	STI Index	3,105.85	-0.91%	13.15	1.07
	Vietnam	VN – Index	1,213.93	-18.98%	13.08	2.04
	Malaysia	FBMKLCI Index	1,459.05	-5.81%	15.80	1.45
	Thailand	SET Index	1,593.54	-3.87%	17.12	1.17
	Indonesia	JCI Index	7,007.05	5.13%	14.91	2.06
	Philippine	PCOMP Index	6,319.42	-10.25%	18.12	1.55
Global	Global	MSCI Global	2,556.67	-21.13%	16.75	2.58
	MSCI AC ASEAN	MSCI AC ASEAN	627.23	-10.72%	16.99	1.56

Vietnam's stock market continued to be negative in the first 2 weeks of June, following the same trend as the global financial market as concerns about inflation increased after the report showed that the consumer price index (CPI) in May in the US increased at the highest rate since 1981, reaching a more than 40-year high with commodity prices increasing by an average of 8.6%.

By the end of June 15, it can be said that the Vietnamese market has been in the long-term Downtrend phase when recording a decrease of more than 20% from the peak and ~19% since the beginning of 2022. VNIndex continuously broke important support levels. Investors are becoming more cautious as most have recorded significant losses.

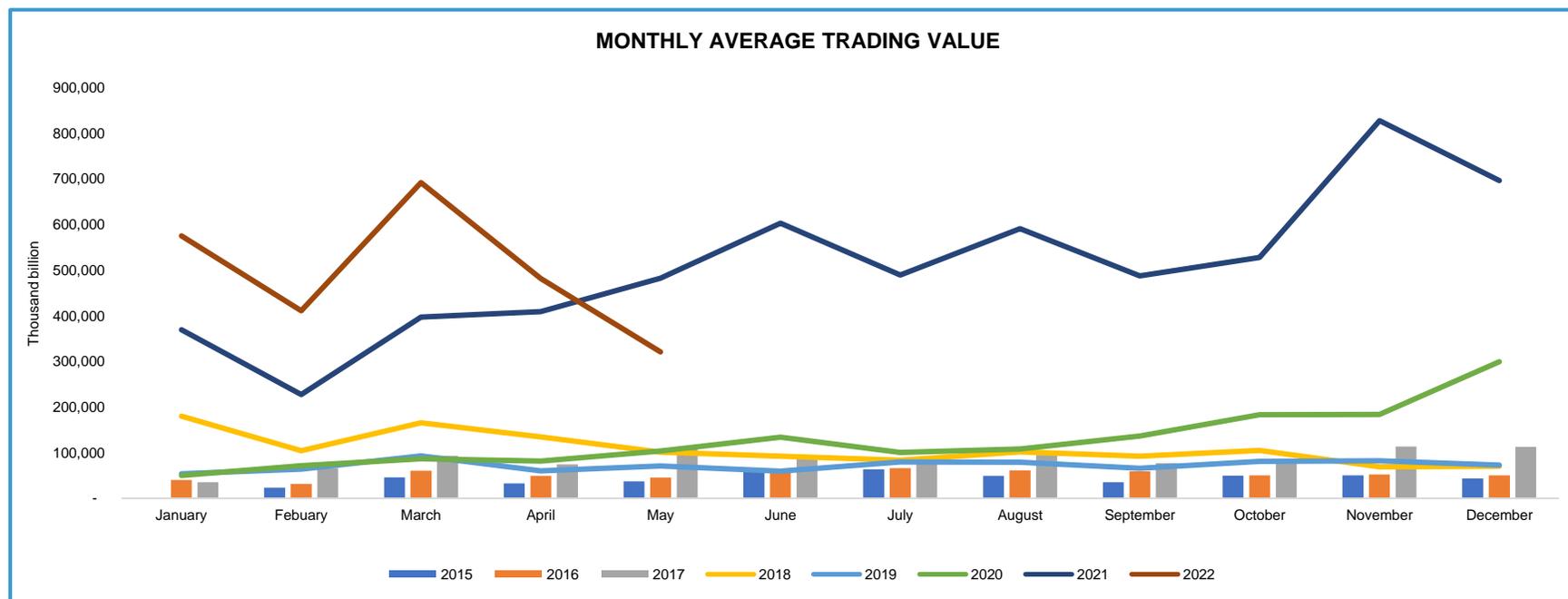


VIETNAM STOCK MARKET LAST 6 MONTHS OF 2022

MARKET LIQUIDITY EXHAUSTED

Vietnam's stock market continued its downtrend in May with exhausted liquidity. By the end of May 27, the average matching value on the HSX was only VND 13,926 billion, decrease of 36.9% from the previous month. The average total trading value of the 3 exchanges reached VND 16,229 billion in May (As of the end of May 27), down 33% compared to the average level of April, the lowest level in more than a year.

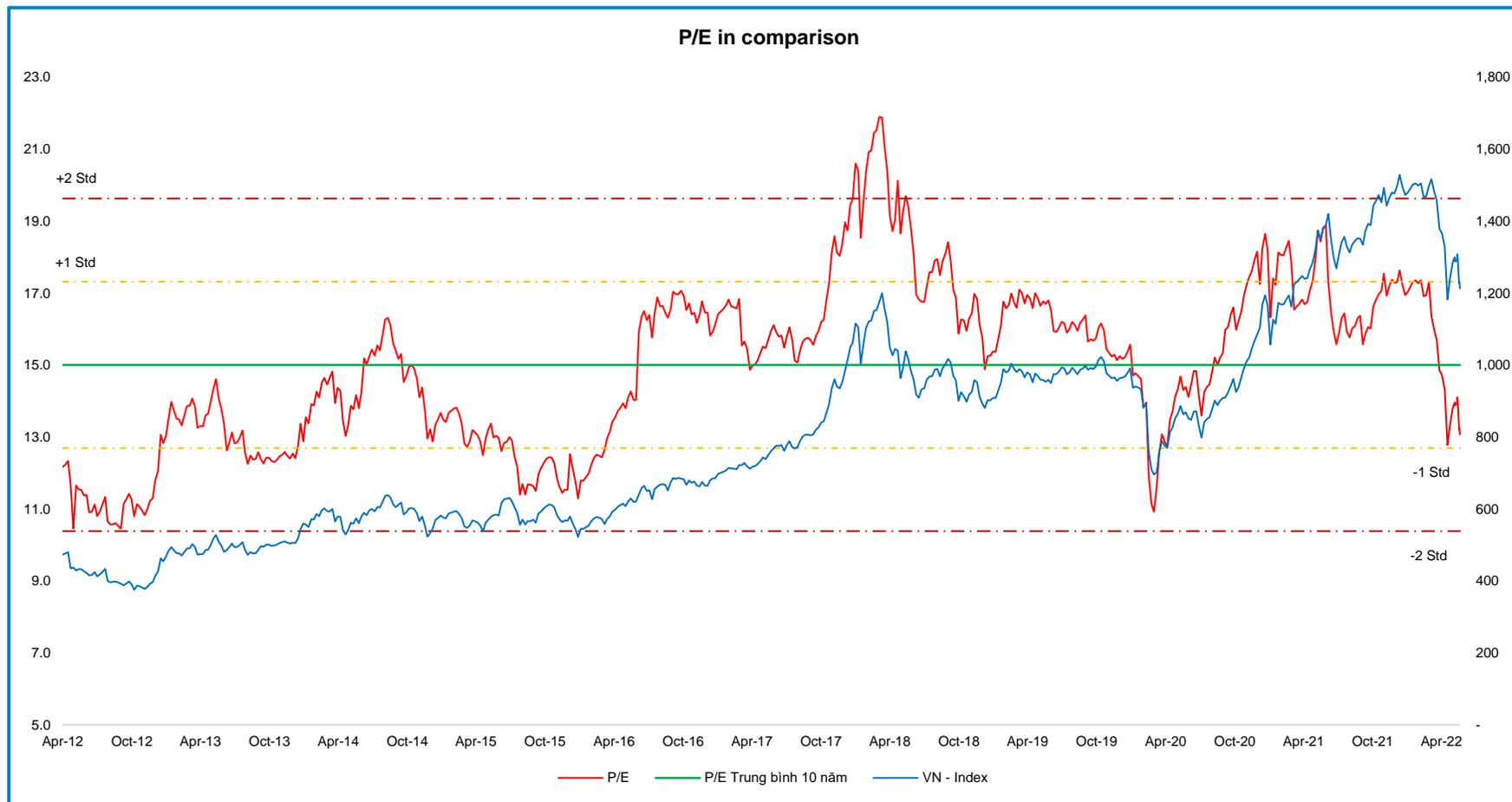
Regarding the trend of cash flow: Statistic data shows that in the period of April and the first half of May, the total nominal trading value on the VN30 Index futures market has skyrocketed, continuously at the threshold of VND 50,000 – 55,000 billion, with the session record of approximately VND 56,000 billion. Meanwhile, the liquidity of the stock market dropped to a very low level. Data from the Ho Chi Minh Stock Exchange (HoSE) shows that from the beginning of May, foreign investors continued to net buy more than VND 1,302 billion. This is the 2nd month in a row that foreign investors turned to be net buyers in the market despite the deep drop of the index.



Source: Bloomberg, PSI Research

VIETNAM STOCK MARKET LAST 6 MONTHS OF 2022

MARKET VALUATION IN COMPARISON WITH HISTORY



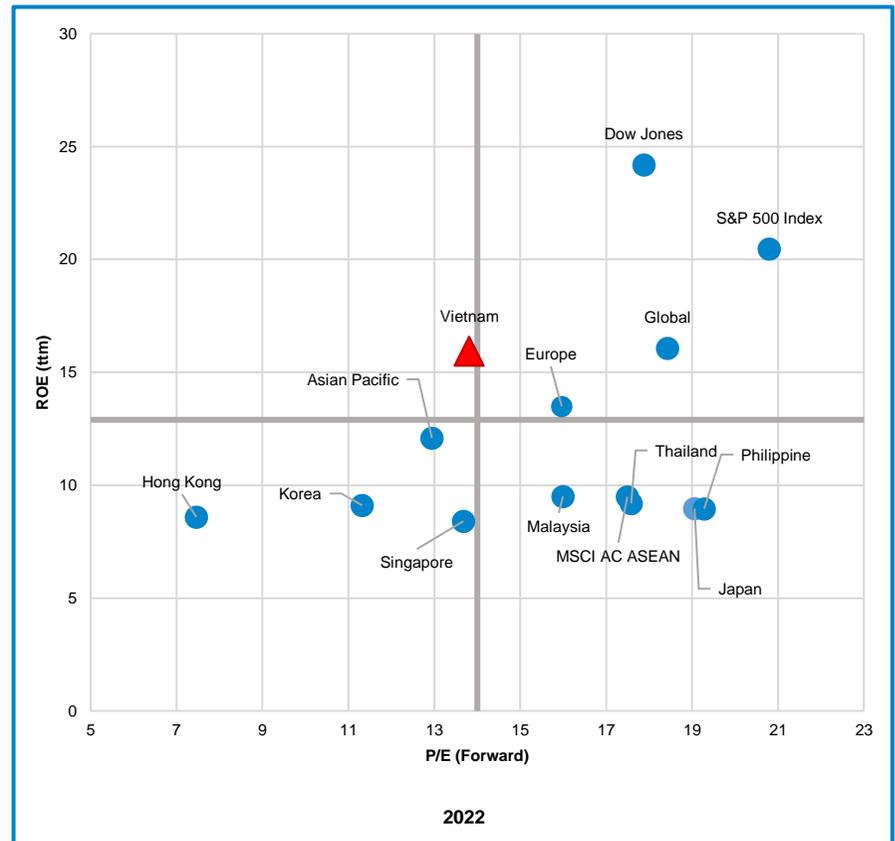
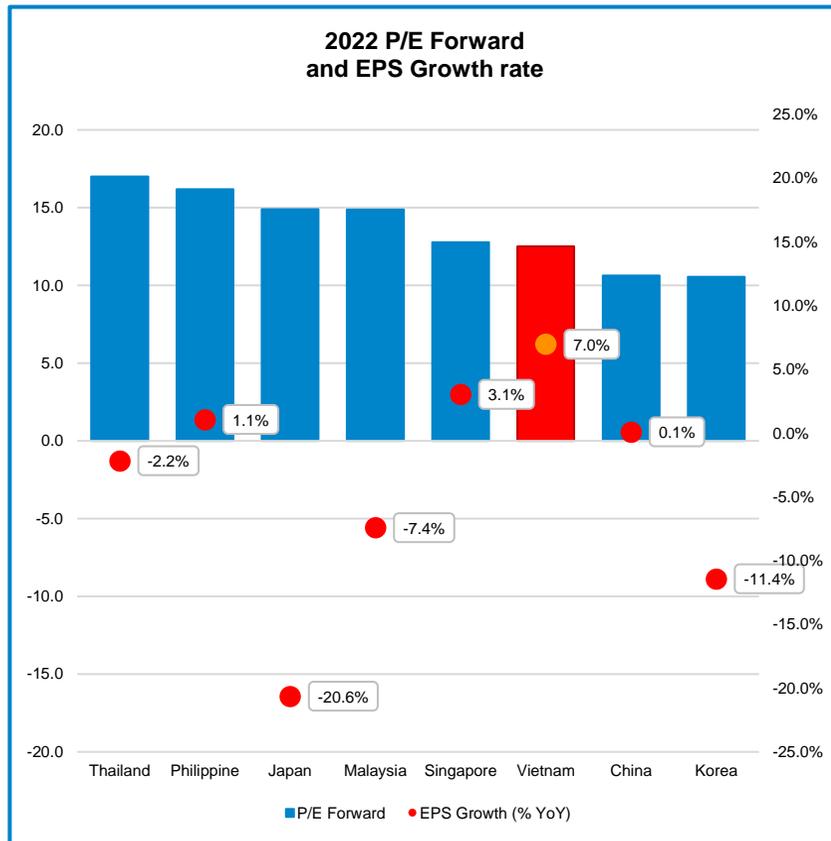
Source: Bloomberg, PSI Research

- The market continued to fall deeply after the first trading week of June. **The current P/E valuation of the Vietnamese market is at a low level compared to the region, respectively 13.1x, much lower than the average 10 years is 15.0x.**

VIETNAM STOCK MARKET LAST 6 MONTHS OF 2022

VIETNAM'S ROE AND P/E COMPARED TO OTHER REGIONAL MARKETS

- Vietnam has the highest EPS growth in the region by the end of May at 7.0%, the market is being valued very attractively at P/E of 13.1x.



Source: Bloomberg, PSI Research

VIETNAM STOCK MARKET LAST 6 MONTHS OF 2022

THE MARKET IS FORECASTED TO FLUCTUATE BETWEEN 1,165 – 1,365

Forecasts	Pessimistic	Neutral	Optimistic
VN – Index	1,080 – 1,150	1,165 – 1,365	1,400 – 1550
Liquidity (VND Billion)	12,000 – 17,000	17,000 – 20,000	21,000 – 25,000
P/E (x)	10.55 – 11.23	11.38 – 13.33	13.68 – 14.65

The ghost of stagflation haunts the world - a rare economic state with a combination of high inflation, high unemployment and low growth that threatens key economic regions around the world, especially the US and EU. Thus, pressure as well as risks in the financial market are increasing day by day.

However, as a manufacturing and processing country in the world supply chain with the ability to self-produce most of the necessity goods, Vietnam will limit the need to import inflation from the world. Vietnam's stock market is likely to continue to experience a general correction according to the world market, but it will accumulate and recover after that, with the basic scenario that the VNIndex will continue to accumulate in the next few days and fluctuate between 1,165 -1,365 points with P/E forward from 11.4x to 13.3x respectively.



CHỨNG KHOÁN DẦU KHÍ
PETROVIETNAM SECURITIES INC.

INVESTMENT SUGGESTIONS

We anticipate that investment opportunities in the second half of 2022 will come from businesses in defensive industries such as energy and consumption sectors that have characteristics such as necessity, low volatility relative to the economic cycle and unaffected significantly by the inflation

(1) Oil and Gas Industry: A sharp increase in oil prices presents an opportunity for oil and gas shares, particularly those in service, distribution, and oil and gas processing.

(2) Electricity: Electricity demand will rebound strongly following the reopening of the economy following the pandemic, assisting in increasing electricity consumption. Favorable hydrological conditions, particularly in 2022, will help many hydropower enterprises make a profit.

(3) Fertilizer industry: In the context of the Russia-Ukraine conflict, demand for food storage and high fertilizer prices remains the short-term growth catalyst for fertilizer businesses.

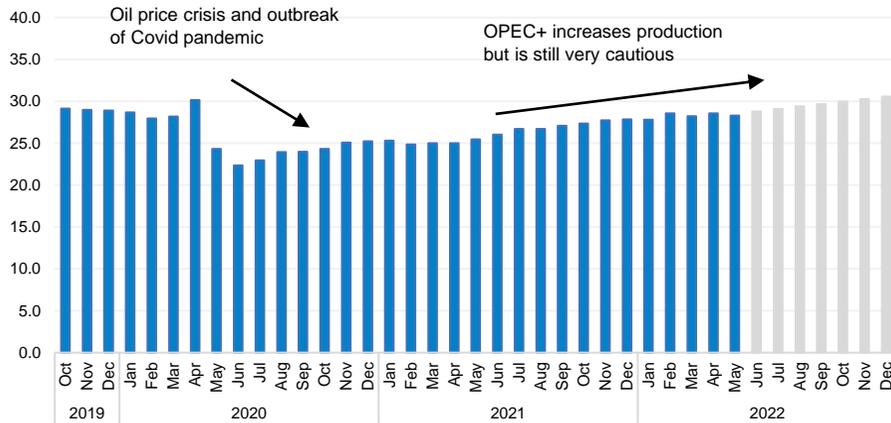


OIL&GAS INDUSTRY

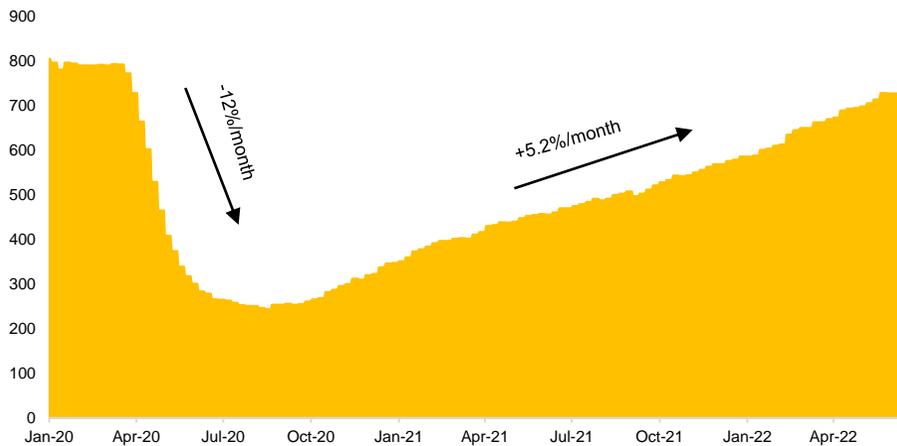
OIL SUPPLY SHORTAGE LEADS THE RISE IN CRUDE OIL PRICE

Shortage supply from Russia is the main reason behind the increase in price

OPEC is cautious with output growth



The slow recovery of US's exploitation



Source: Bloomberg, EIA, PSI research

Oil supply remains tight as OPEC + is cautious in increasing production. The group of major oil exporting countries OPEC exploits about 34% of the world's crude oil production and oil products, however, in the context of a recovering demand for crude oil, the current supply from OPEC is not enough to rebalance the market due to: (1) OPEC and its allies cautiously increase production (2) Actual output compliance level is 500,000 barrels/day lower than planned.

In addition, the impact of the war between Ukraine - Russia on the supply also created concerns when Russia's supply accounted for more than 11% of the total supply of crude oil and oil products in the world. With sanctions from the US and the West, Russia's crude oil production reached 8.8 million barrels/day in May, down more than 1.7 million barrels/day compared to the beginning of the year, this decline is much larger than the total output that OPEC and IEA and the US increased in recent years.

Not only with crude oil, world gas price is also affected by supply cuts from Russia (Russia supplies 40% of gas demand in Europe). In the face of sanctions from the US and Europe, Russia could continue the suspension of gas supplies to European countries as a retaliation measure.

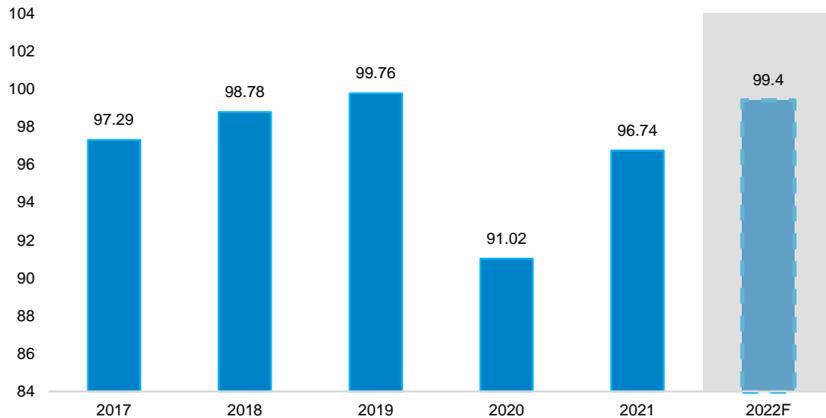


OIL&GAS INDUSTRY

OIL SUPPLY SHORTAGE LEADS THE RISE IN CRUDE OIL PRICE

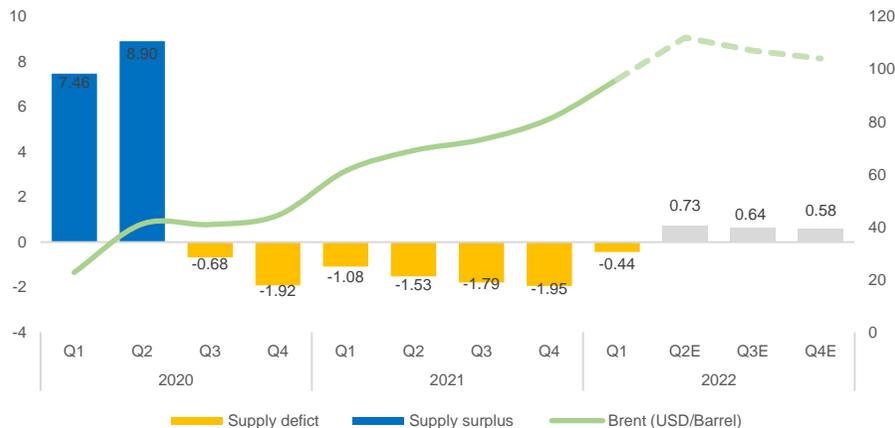
Demand is influenced by global economic growth and the Covid-19 situation in China

IEA downgrades the oils demand forecast in 2022



Demand for oil is forecast to slow down in the coming quarters in the context of the economic slowdown. Oil demand depends on production and transportation activities, so it depends heavily on the world economic outlook, however, the IMF recently downgrade its forecast for the world economy growth in 2022 from 4.1% to 3.6% for 2022. In addition, China's blockade in major cities such as Shanghai may negatively impact on demand when China's consumption of crude oil is the largest in the world (accounting for 14-15% of global demand).

EIA forecast the average oil price in 2022 will reach 107USD/barrel



Oil prices continue to remain above 100 USD/barrel due to the impact from the conflict between Russia - Ukraine and the campaign "Zero Covid" in China. There was a time when oil prices set a record, exceeding the 7-year high, reaching 131 USD/barrel. According to the US Energy Information Administration (EIA), oil prices may "cool down" gradually towards the end of the year, but oil prices are forecasted to remain at a high level with the average oil price of the year 2022 forecasted to reach 107 USD/barrel with Brent oil, because: (1) Supply from Russia may continue to be affected by sanctions and (2) Supply from emergency stockpiles of IEA and US, along with prudent policy from OPEC is not enough to cover for the shortage from Russia's supply.

The high oil price will be the driving force for the domestic oil and gas industry, especially for oil and gas **exploitation, exploration, distribution and processing groups.**

PETROVIETNAM GAS JOINT STOCK CORPORATION (GAS)

PSI Rating	BUY
Target price	139,000
Close price on 15/06	124,000
Upside	12.10%

Information	
Industry	Oil&Gas
Stock exchange	HOSE
Highest/lowest price 52 weeks	130,000/85,500
Market capitalization (VND bn)	237,330
Shares outstanding (Million shares)	1,913.95
Average trading volume in 52w (share)	1,169,191

Senior Analyst:
Vũ Thị Ngọc Lê

Catalysts:

- **Business results are supported by high oil prices.** We raise our assumption of the average oil price in 2022 to 105 USD/barrel, 48.2% higher than the average price in 2021 due to the sanctions of Western countries against Russia causing a shortage of world oil supply.
- **LNG - New driving force contributing to PVGAS's growth:** We expect GAS's LNG Thi Vai Terminal project will finish on time and can start operating by the end of 3Q/2022, contributing about VND 3,679 billion and VND 7,550 billion in revenue to PVGAS in 2022 and 2023 respectively. In the long run, raising the capacity of Thi Vai LNG Terminal to 3 million tons per year will assist GAS in ensuring the ability to supply gas to the planned new gas power plants.
- **Block B-O Mon gas project chain guarantees GAS' supplementation in the medium and long term:** Expected to be granted FID in July 2022, the Block B-O Mon gas project chain promises to provide GAS with increasing output from 2026 when receiving the first gas flow roughly 5m3/year, compensating the reduced output from the gas fields being exploited.

	2019	2020	2021	T12M	2022F
Net sales (VND Billion)	75,005	64,135	78,992	78,111	105,102
Gross profit (VND Billion)	16,919	11,406	13,986	15,853	20,014
Gross profit margin (%)	22.56%	17.78%	17.71%	20.30%	19.04%
NPAT (VND Billion)	12,086	7,972	8,673	10,111	12,996
Net profit margin (%)	16.11%	12.43%	10.98%	12.94%	12.37%
EPS (VND)	6,059	4,028	4,356	5,087	6,790
ROE (%)	25.05%	16.08%	17.42%	26.20%	24.92%
P/E (x)	15.46	21.50	22.08	24.27	20.47



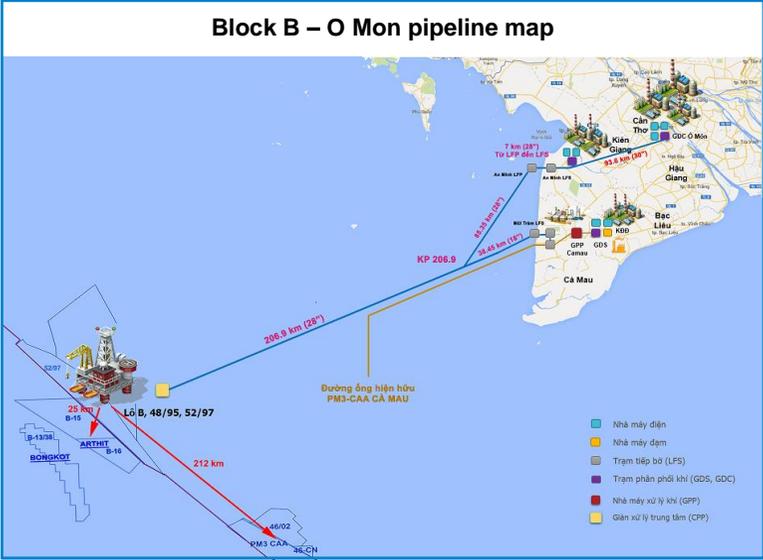
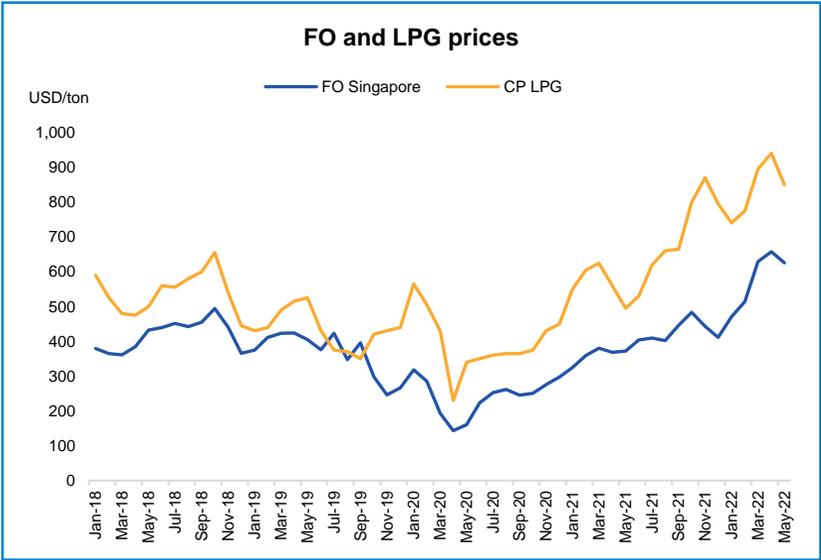
PETROVIETNAM GAS JOINT STOCK CORPORATION (GAS)

Net profit in 2022 is estimated to increase 49.84% YoY.

Due to uncertain factors on oil supply from Russia, we raise our forecast for the average Brent crude oil price in 2022 to USD 105/barrel, LPG price to USD 850/ton. On the other hand, we revise our forecast for dry gas production to 9.15 billion m3 considering the risk of demand reduction from power plants in the context of high gas prices while demand from fertilizer producers remain stable. Accordingly, we forecast GAS's consolidated revenue and profit in 2022 at VND 105,102 billion and VND 12,996 billion, respectively, up 33.1% and 49.84% YoY. In which, LNG Thi Vai Terminal - Phase 1 is expected to operate from the third quarter of 2022 with about 40% of design capacity and contribute about VND3,679 billion in revenue.

Block B - O Mon gas project chain is a long-term growth engine

Expected to receive FID in July and start construction from the end of this year, the Block B - O Mon gas project chain is expected to be the driving force in revenue and output growth for GAS after receiving the first gas flow in 2016. With the reserve of about 107 billion m3, we estimate that GAS's annual output from 2026 could increase by 5 billion m3 compared to the present. According to information from Can Tho People's Committee, the Block B-O Mon gas pipeline project has been restarted, the locality has handed over the site clearance landmark and is expected to continue construction from the second quarter of 2023.



Source: Bloomberg, PSI Research

PETROVIETNAM TECHNICAL SERVICES CORPORATION (PVS)

PSI Rating	BUY
Target price	35,500
Close price on 15/06	29,700
Upside	19.53%

Information	
Industry	Oil&Gas
Stock exchange	HOSE
Highest/lowest price 52 weeks	39,400/21,500
Market capitalization (VND bn)	14,195
Shares outstanding (Million shares)	477.97
Average trading volume in 52w (share)	10,725,236

Senior Analyst:
Phạm Hoàng

Catalysts:

- **Business results are supported by high oil prices.** Average oil price in 2022 is forecast to reach 107 USD/barrel (according to EIA), 57% higher than 2021 due to instability from Russia - Ukraine conflict and OPEC's conservative output plan. The current oil price is much higher than the break-even cost in many countries, so when the oil price remains high, it will motivate the exploitation and exploration activities, thus promoting the restart of Oil projects. We expect that the high oil prices in 2022 will create new sources of jobs with higher service fees for PVS.

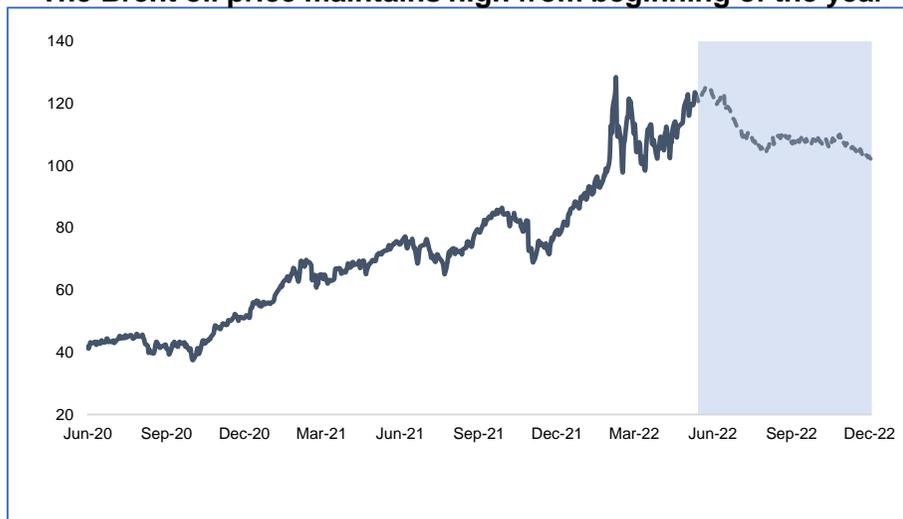
- **Prospects from offshore wind power:** PVS has added offshore wind power investment to its business line. PVS has signed an M&C contract for the Hai Long offshore wind power project in Taiwan, worth 68 million USD (PVS is a subcontractor for this project), in which PVS will participate in designing, constructing and operating two offshore transformer stations with total volume up to 18,000 tons. We consider this is an opportunity for PVS to gain more experience in this segment as the demand for this type of energy will continue to increase globally and also in Vietnam (according to Power Plan VIII).

	2019	2020	2021	T12M	2022F
Net sales (VND billion)	16,968	20,180	14,198	15,354	15,887
Gross profit (VND billion)	898	778	776	890	1,015
Gross profit margin (%)	5.29%	3.86%	5.47%	5.79%	6.39%
Net profit after tax (VND billion)	808	710	677	764	927
Net profit margin (%)	4.76%	3.52%	4.77%	4.97%	5.84%
EPS (VND)	1,891	1,306	1,258	1,409	1,758
ROE (%)	6.30%	5.51%	5.40%	5.98%	7.12%
P/E (x)	10.30	17.02	29.97	21.07	20.19



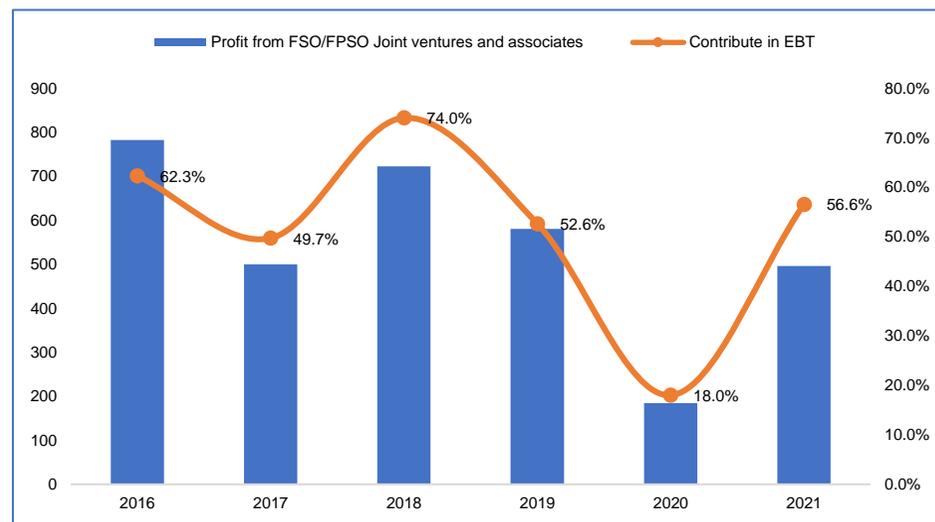
PETROVIETNAM TECHNICAL SERVICES CORPORATION (PVS)

The Brent oil price maintains high from beginning of the year



Source: Bloomberg, EIA, PSI research

Profit from FSO/FPSO joint ventures and associates



Source: PVS, PSI research

- PVS's FSO/FPSO segment contributes steadily to annual profit.** PVS's joint ventures and associates in FSO/FPSO segment have made major contributions to PVS's Earning before Tax from 2016 to present. The high oil price created the motivation for oil exploitation to recover, as well as the demand for hiring for FPSO/FSO vessels, in particular, the high oil prices created favorable conditions for businesses to renegotiate the charter fees of the contracts. In addition, FSO Golden Star with a capacity of more than 770,000 barrels, put into operation from the end of 2020 at Sao Vang - Dai Nguyet oilfield will continue to contribute positively to PVS's profits in the 7-year contract.

- The M&C segment is expected to recover from 2022 with newly signed contracts.** We expect that there would be a positive situation for M&C segment from 2022 thanks to a series of new contracts: Package EPCI05 at Galaf Batch 3 project, procurement of materials at Hai Long 2 and 3 Wind Power projects.

- The prospect from Block B being able to have the final investment decision in mid-2022:** With a total investment of 10 billion USD for the whole chain of projects, Block B will bring PVS a large amount of backlog in future.



PETROVIETNAM TRANSPORTATION CORPORATION - JSC (PVT)

PSI rating	BUY
Target price 12 month	23.900
Close price on 15/06	20,350
Upside	18.02%

Information	
Industry	Transportation
Stock exchange	HOSE
Highest/lowest price 52 weeks	29,100/16,469
Market capitalization (Billion VND)	6,586
Number of share outstanding (shares)	323.65
Average trading volume in 52w (shares)	4,615,050

Analyst:

Nguyễn Thị Huyền Trang

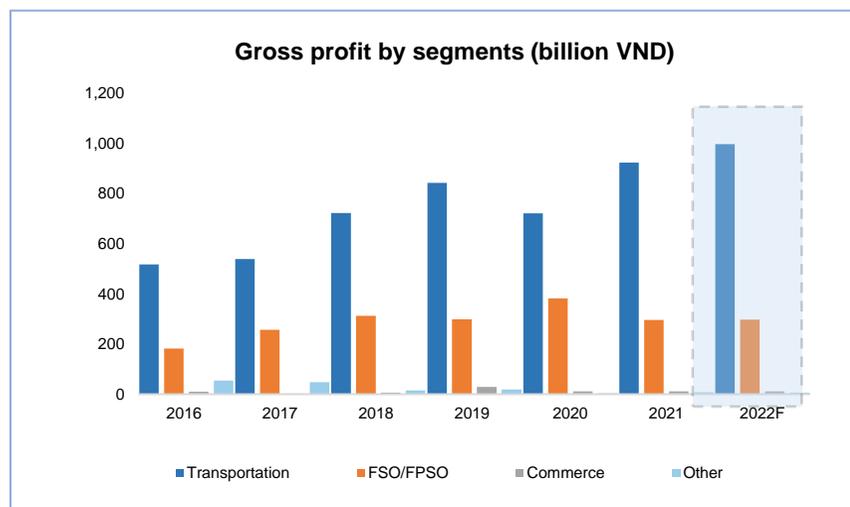
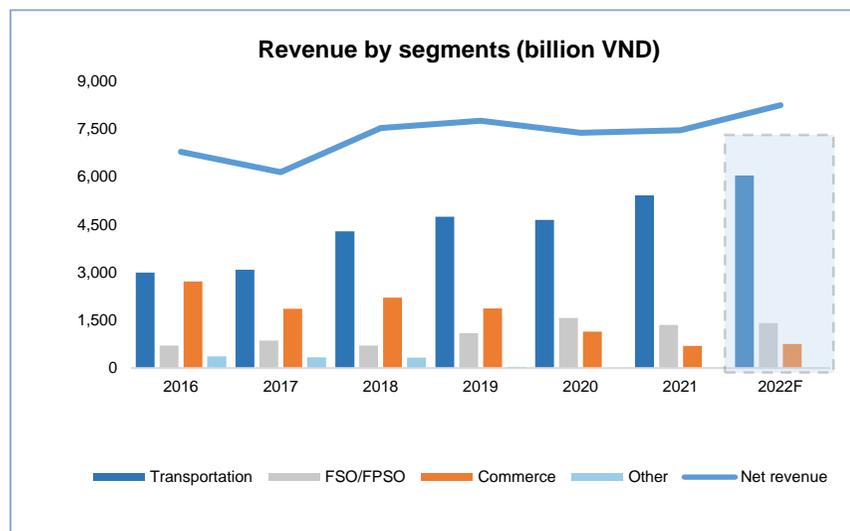
Catalysts:

- **Energy supply in 2022 has been heavily affected** by the Russia-Ukraine war.
- **Nghi Son Refining and Petrochemical become active again with expectation capacity around 80%**, contributing to stabilize the revenue in crude oil transportation segment. Gross margin of crude oil transportation will be expected to recover in Q2 when PVT still maintains 3 tankers and signs a long-term contract with Apollo tanker ship.
- **Domestic LPG demand will be the main growth driver of PVT in the next period.** The Government's focus on developing LNG power plants will be the driving force for PVT's revenue growth in the long term.
- **PVT continues to invest, rejuvenate and improve the fleet capacity.** In 2022, the company plans to buy 6 new tanker ships with the investment of 2,916 billion VND. The enhancement and rejuvenation of the fleet contribute to consolidate their competition capacity in both domestic and international market.

	2019	2020	2021	T12M	2022F
Net sales (VND Billion)	7,758	7,382	7,460	7,313	8,246
Gross profit (VND Billion)	1,191	1,130	1,238	1,172	1,313
Gross profit margin (%)	15.35%	15.31%	16.60%	16.02%	15.92%
NPAT (VND Billion)	821	843	834	797	832
Net profit margin (%)	10.58%	11.42%	11.18%	10.90%	10.09%
EPS (VND)	2,916	2,605	2,578	2,463	2,338
ROE (%)	14.43%	13.38%	11.98%	12.01%	11.19%
P/E (x)	7.24	7.18	12.49	8.26	9.11



PETROVIETNAM TRANSPORTATION CORPORATION - JSC (PVT)



Sale and service revenue in Q1.2022 reached 2,021 billion VND (+17.76% QoQ). The main reason is the addition of new investment tanker in 2021. PVT has successfully invested 6 tanker ships, contributing to rejuvenate and improve the fleet capacity. In addition, in Q1.2022, PVT's subsidiaries continued to receive 3 new tankers.

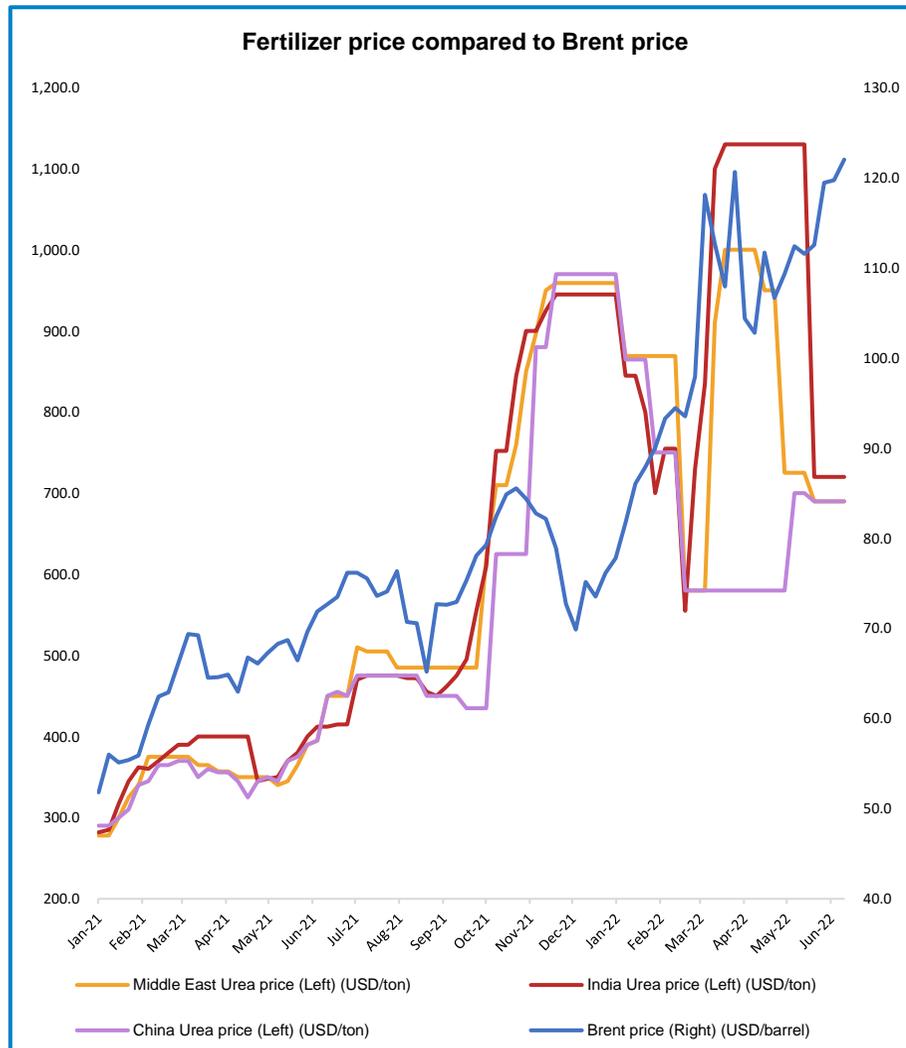
We clearly observe the transfer in PVT's revenue structure, the company has focused on increasing the proportion of transportation services which has high profit margins and reducing the proportion of commercial services which has low profit margins.

We forecast the revenue of PVT in 2022 reaches 8,245 billion VND (+10.5% YoY). In which, revenue from transportation segment is forecasted to reach 6,044 billion VND; FSO/FPSO segment will get 1,416 billion VND and the commercial segment is forecasted to grow again after the freezing period due to the epidemic and social distancing, reaching 761 billion VND. In addition, we recognize an extraordinary profit will come from the sale of Athene crude oil tanker, worth more than 100 billion VND. Therefore, gross profit expects to reach 1,313 billion VND.

In 2022, **the company has a plan to increase its charter capital** from 3,236 billion VND to 3,560 billion VND through issuing shares to pay dividends at the rate of 10%.

FERTILIZER INDUSTRY

BENEFIT FROM SURGING FERTILIZER PRICE



Source: Bloomberg, PSI Research

- **The scarce supply due to the disruption of the global fertilizer supply chain caused fertilizer prices to increase sharply:** At the end of 2021, China and Russia - two of the largest fertilizer exporting countries in the world, decided to temporarily suspend fertilizer exports to stabilize domestic supply and control inflation. The production from Russia accounts for about 30% of the total fertilizer supply worldwide. In particular, Russia provides up to 70% of input materials for fertilizer production in Europe. The sanctions imposed on Russia directly caused world fertilizer prices to fluctuate strongly. Fertilizer prices are also 40% higher than they were a month before Russia launched a special military operation in Ukraine on February 24.

- **The sharp increase in fertilizer prices caused a sharp decline in domestic consumption demand, made businesses boosted exports:** For the domestic market, the fertilizer price has continuously increased in the past 2 years and continues to remain at a high level, a price that is difficult for farmers to accept when food prices increase disproportionately.

In the first quarter of 2022, the total domestic consumption was unchanged YoY while the export volume reached 510,000 tons, an increase of 47% YoY and an increase of 31% QoQ. The export level in the first quarter of 2022 equivalent to 44% and 40% of the export volume in 2020 and 2021.

PetroVietnam Ca Mau Fertilizer JSC (DCM)

PSI Rating	HOLD
Target Price	44,300
Close Price 15/06	40,700
Upside	8.85%

Information	
Industry	Fertilizer
Stock exchange	HOSE
Highest/lowest price in 52 weeks	48,450/16,000
Market capitalization (VND billion)	21,546
Number of share outstanding (mil shares)	529.4
Average trading volume in 52 weeks (shares)	6,260,732

Analyst:
Tô Quốc Bảo

Catalysts

- **Business results are supported by high oil price:** The disruption of the global supply chain due to the conflict between Russia and Ukraine causes the prices of oil and gas to exceed 14-year high. Moreover, the fear of food crisis also helps the fertilizer market reverse sharply. Despite the difficulty in sales comparing to the same period in 2021, DCM's revenue has grown 189% YoY thanks to a high price of the product.
- **Export activities are promoted when fertilizer price is high all over the world:** In the first quarter of 2022, DCM has exported 95,000 tons of fertilizer to India, accounted for more than 50% of the company's output. In the context that domestic fertilizer demand is affected by unpredictable fluctuations in fertilizer prices, enterprises expect to continue to increase export output in the next quarters to take advantage of the period when fertilizer prices are high in the world.
- **The outlook for Urea fertilizer prices continues to be maintained at high level in the short term.** Fertilizer prices have increased due to the geopolitical conflict between Russia and Ukraine. The prolonged tension between Russia - Ukraine along with the restrictions and bans on the export of some key fertilizers of Russia and China has not shown any sign of being lifted, causing the supply of fertilizers to decrease seriously in the near future.

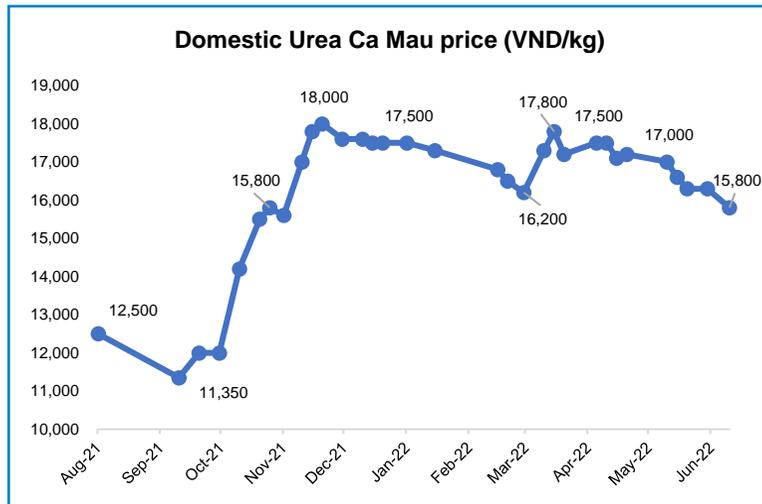
	2019	2020	2021	T12M	2022F
Net sales (VND billion)	7,043	7,561	9,870	12,158	14,817
Gross profit (VND billion)	959	1,317	2,854	4,553	4,861
Gross profit margin (%)	13.61%	17.42%	28.92%	37.45%	32.81%
Net profit after tax (VND billion)	428	661	1,940	3,267	3,417
Net profit margin (%)	6.08%	8.74%	19.65%	26.87%	23.06%
EPS (VND)	808	1,251	3,664	5,361	6,454
ROE (%)	6.92%	10.63%	28.11%	36.41%	34.14%
P/E (x)	10.83	13.73	11.95	7.59	6.86



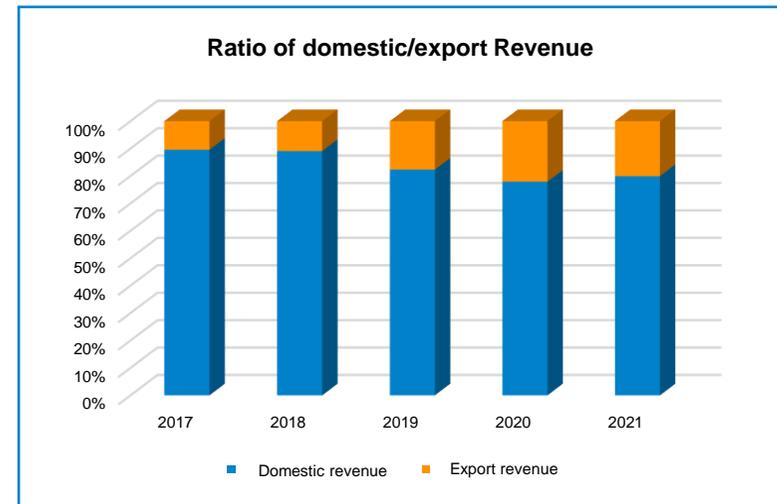
PetroVietnam Ca Mau Fertilizer JSC (DCM)

DUAL PROFIT FROM RECENT EXPORTS AND INCREASE SALES PRICES

Urea fertilizer price outlook continues to be maintained at a high level in the whole year of 2022



Source: Fertilizer price board – Bình Điền, PSI Research



Source: DCM, PSI Research

- While oil price has increased sharply 48% in just more than a month comparing to that at the beginning of 2022 due to the conflict between Russia and Ukraine, the price of fertilizer is also risen by 40% comparing to what it was one month before Russia launched a special military operation in Ukraine on February 24.
- Thanks to the high selling price, the company can maintain a growth in revenue. The average price in the first quarter of 2022 without discount is 16,039 VND/kg, up 98% and 127% comparing to the company's plan and the same period in 2021 respectively. DCM's revenue in the first quarter of 2022 is more than VND 3,609 billions, reaching 221% of the company's plan for the first quarter of 2022 and 40% for the whole year. This is an increase of more than 189% YoY.
- The main export product, NPK Ca Mau 17-7-17, recorded a revenue of 1,901 VND billiions, growing 212% compared to 2017. This happened after DCM had tried to find and expand to foreign market like Myanmar, Thailand, Cambodia, India, and Brazil. In the first quarter 2022, DCM has exported 95,000 tons of fertilizer to India.
- Especially, DCM decided to pay dividend by cash up to 18% in 2021, the highest level ever.

Electricity Industry

GROWING STRONGLY AFTER THE PANDEMIC

Electricity production in 2022 is expected to grow from 8.2% to 12.4%.

By the end of May 2022, the commercial electricity output reached 95.31 billions kWh nationwide, increased 5.3% YoY. Moreover, the index of industrial production (IIP) has also risen by 10.37%. We expect that the growth rate in this industry will be higher thanks to the recovery of the economy after the COVID-19 pandemic.

Hydropower is a bright spot in 2022

Hydropower output from the beginning of 2022 reached 85.65 billions kWh (+6.2% YoY). Since Q2/2022, it is the beginning of hydropower supply, as the rainy season in 2022 comes. According to the International Research Institute (IRI), the La Nina phenomena will probably last until the end of 2022. Moreover, the forecast from the Central Hydrometeorological Center also indicates that the average rainfall this year will be higher than that in many years. Therefore, revenues from hydroelectric plants will increase sharply in the second half of 2022.

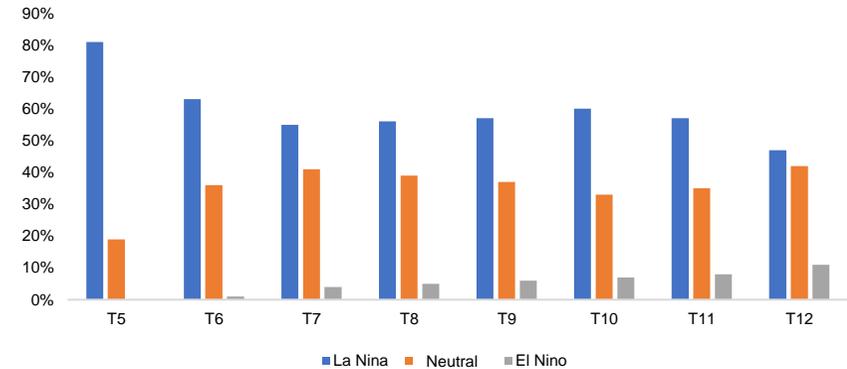
Thermal power may be decreased in mobilization

From the start of 2022, gas and coal prices increased by 40% and 47% respectively, causing the input price at gas power plants rose 21% and the lack of coals from importing. Therefore, by the end of April 2022, the total mobilized thermal power was just 57.8% of the whole system (-15.6% YoY). We believe that if the prices of input materials continue to increase, it will put a lot of pressure on electricity selling price to EVN and may cause the mobilized thermal power output to decrease in the future.

Renewable energy contributes greatly to the electricity system

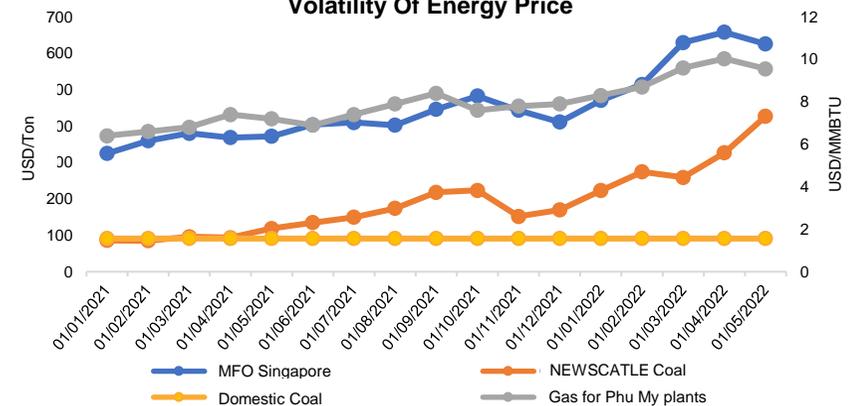
Because of the decline in thermal power mobilization, EVN needs to mobilize more from renewable energy, reaching 13.15 billions kWh (+38.4% YoY). However, in the coming time, renewable energy will not grow strongly like in the past because the FIT policy expired and there have not had a new policy to replace, so there is no basis to implement new projects.

IRI's Forecast about ENSO in 2022



Source: IRI, PSI research

Volatility Of Energy Price



Source: PGV, Bloomberg, PSI research

PetroVietnam Power Corporation (POW)

PSI Rating	BUY
Target price	20,050
Close price 15/06	14,500
Upside	38.28%

Information	
Industry	Electricity
Stock exchange	HOSE
Highest/lowest 52 weeks	20,150/10,100
Market capitalization (VND billion)	33,957
Number of share outstanding (millions of shares)	2,341.87
Average trading volume in 52 weeks (shares)	16,369,680

Analyst:

Nguyen Minh Quang

Catalysts:

- **Gas-fired output recovers in 2022.** The shortage of coal causes a decrease in coal-fired power output, forcing EVN to increase mobilization from gas-fired power. We forecast that POW's gas-fired power output in 2022 will increase 16% comparing to the bottom in 2021, and it can offset the decline from the output of coal-fired power. We forecast that POW's total electricity output will reach 13.945 millions of kWh this year.
- **High selling price in the market helps the company to improve its revenue.** Because the prices of input materials increase sharply, the selling price of electricity in the market also grows strongly. Therefore, we believe that this can help the company to deal with the impacts of high input prices and lower commercial electricity production.
- **Hydropower continues to gain benefits.** Because La Nina may last until the end of 2022, we believe that hydroelectric plants from POW may gain benefits when the selling price is higher than last year, and hydropower is mobilized more.
- **Promising long-term prospects thanks to LNG plants.** Nhon Trach 3&4 plants are being actively implemented, and we believe that these plants will be accomplished on schedule and placed into operation from 2024, producing an annual power of approximately 9 billions kWh, a 40% higher than the the existing average.

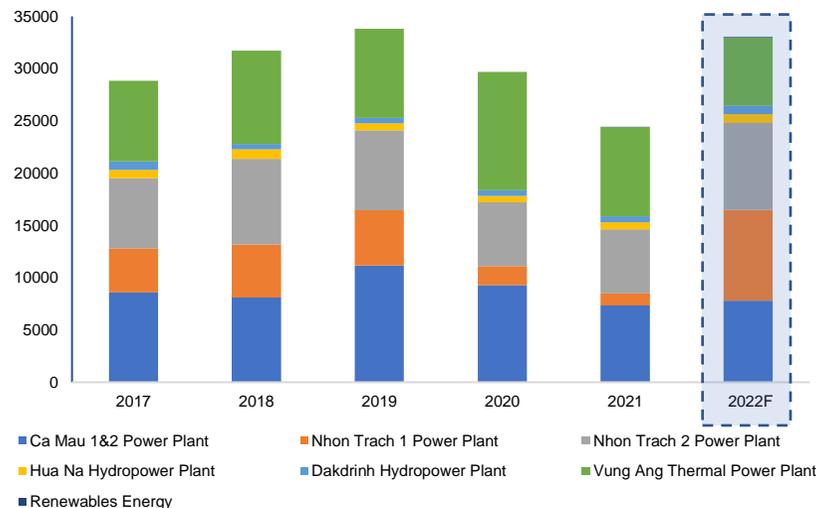
	2019	2020	2021	T12M	2022F
Net sales (VND billion)	35,374	29,732	24,561	23,958	25,473
Gross profit (VND billion)	5,138	4,580	2,540	2,688	2,533
Gross profit margin (%)	14.52%	15.40%	10.34%	11.22%	9.94%
Net profit after tax (VND billion)	2,854	2,663	2,052	2,295	920
Net profit margin (%)	8.14%	8.96%	8.35%	9.58%	3.60%
EPS (VND)	1,027	999	757	859	344
ROE (%)	10.14%	8.76%	6.50%	6.90%	2.85%
P/E (x)	11.15	13.61	17.47	16.54	58.20



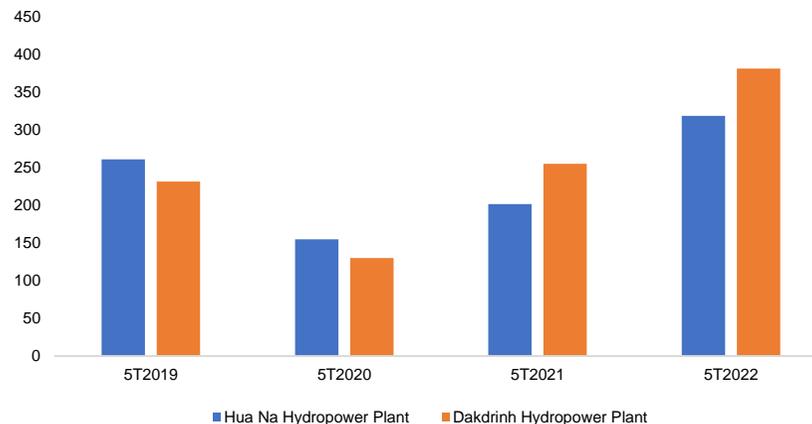
PetroVietnam Power Corporation (POW)

- In 2021, the total revenue of the company was VND 24,561 billions, decreasing 17% because of the falling in electricity production. This happened when the whole country implemented the blockade policy due to the 4th Covid-19 outbreak. Furthermore, because hydropower was mobilized more and the prices of input materials did not fluctuate a lot throughout the year, the price of electricity in the market was in a low level. However, the net profit before tax still reached VND 2,339 billions.
- In 2022, going along with the forecast of rising demand on using electricity, we expect POW's output will reach 13,945 million kWh, and the company's revenue will be VND 25,299 billions (+3.7% YoY). Moreover, high selling price can partially offset the low level of mobilized electricity.
- At present, when coal and gas prices are increasing and there is a shortage of coals from importing for electricity factories, EVN needs to mobilize more from hydropower. This helps POW's hydropower plants record positive signs from the start of 2022. The revenues of Dak Dadkddinh and Hua Na factories are VND 381 and 319 billions respectively, growing of 50% and 58% YoY.
- According to IRI and Hydrometeorological Center, La Nina phenomena will last until the end of 2022, so hydropower will be mobilized at full capacity.
- While the mobilized output from renewable sources fluctuates strongly during a day, the input prices for thermal power are also really high. These 2 factors contribute to the decrease in the competitiveness of renewable energy output and thermal power. Therefore, hydroelectric plants from POW can take advantage when hydropower is mobilized more, and the price of electricity is also higher than last year.

PV Power's Revenue (VND Billion)



Revenues Of POW's Hydroelectric Plants (VND Billions)



Source: PV Power, PSI research



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PETROVIETNAM SECURITIES INC.

PORTFOLIO RECOMMENDATIONS FOR 2ND HALF OF 2022



PORTFOLIO RECOMMENDATIONS FOR 2ND HALF OF 2022

No.	Ticker	Industry	Closing Price	12M Forecast price	Projected net profit margin	2022F				P/E		Market cap. (VND billion)
						Revenue (VND billion)	% Revenue growth	Net profit (VND billion)	% Net profit (loss) growth	P/E T12M	P/E 2022F	
1	GAS	Oil & Gas	124,000	139,000	12,10%	105,102	33.10%	12,996	49.84%	24.27	20.47	237,330
2	PVS	Oil & Gas	29,700	35,500	19.52%	15,887	11.89%	927	36.93%	21.17	20.19	14,195
3	PVT	Logistics	20,350	23,900	18.02%	8,246	10.54%	832	-0.24%	12.01	11.19	6,586
4	DCM	Fertilizer	40,700	44,300	8.85%	14,817	50.12%	3,465	78.64%	7.59	6.86	21,546
5	POW	Power	14,500	20,050	38.28%	25,473	3.71%	920	-55.17%	16.54	58.20	33,957

Closing price at 15/06/2022



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