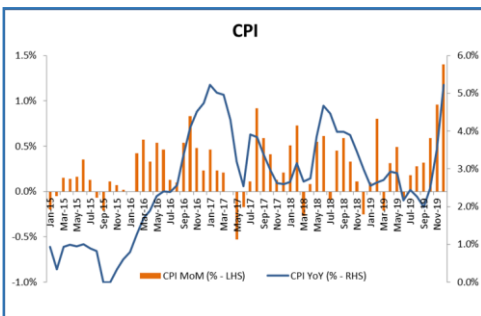
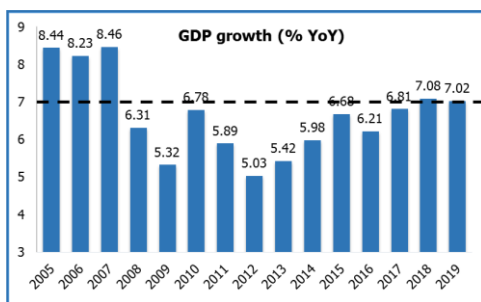


What's new?

- ▶ We attended a macroeconomics forum at the Banking University of Ho Chi Minh City (BUH) on Jan 6.
- ▶ Infrastructure investment has been slow due to regulatory weaknesses.
- ▶ But the new public investment law effective might alleviate this problem.
- ▶ Forum speakers expect Vietnam's macroeconomic conditions to remain stable in 2020, with credit growth at 14%.

Key takeaways

- ▶ Discussion of the 2019 public investment law was (for us) a key highlight of the forum.
- ▶ The law should channel effective public investment more effectively, thus triggering economic growth.
- ▶ From a stock picker's perspective, Infrastructure, construction, and construction materials should benefit.



Source: GSO

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Macro forum takeaways

Infrastructure bottlenecks. The forum's economist presenters noted that public investment in 2016–2019 was very weak, as exemplified by the delayed North-South highway. In particular, almost no public infrastructure investment occurred in 2018-2019. The experts attributed this mostly to weaknesses in the relevant regulations (i.e., the 2014 Public Investment Law). In addition, the experts stated that slow public investment is also attributable to high (albeit declining) debt/GDP levels, while the public-private partnership (PPP) system is still not effective because it relies on costly debt financing.

The 2019 public investment law came into effect on Jan 1 2020 and is expected to allow for increased fiscal stimulus. The new law regulates the designation of project leaders to take responsibility for the allocation of funds for public investment projects, a matter that was not clearly defined in the previous law. The experts believe that this will improve the mechanism for channeling public investment effectively, thus triggering economic growth. As a result, infrastructure, construction contractors, and construction materials should all benefit.

State Bank of Vietnam (SBV) officials emphasized FX stability and faster credit growth. The officials said that the SBV bought US\$20bn in 2019, thus increasing the country's foreign reserves to a new high of US\$80bn. They added that the SBV will continue to emphasize FX stability in 2020. In addition, the officials guided for 2020 credit growth of +14% (2019: +12.1%) and M2 growth of +15% (2019 +13%).

Economic stability in 2019 despite the global slowdown. GDP growth remained high at 7.02% while average inflation was low at 2.79% YoY. Stability is mainly attributable to improved domestic consumption. Retail sales posted strong growth of 12% YoY in 2019. In addition, the quality of growth improved, as credit growth to nominal GDP growth has declined. 2019 credit growth (12.1%) to nominal GDP growth (9.5%) stood at 1.27x vs. the 1.33x ratio of 2018.

Our view: the new public investment law was perhaps the most intriguing part of the discussions. As always, the devil is in the details of implementation; but we think the reforms could help reaccelerate the rollout of infrastructure. On the SBV guidance, we would only note that the 14% target for 2020 is the same as the SBV's initial target for 2019, which the banking system missed by 1.9ppt.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Yuanta Vietnam Coverage Universe										
Sector	Company	Stock code	Market cap (USDm)	3-month ADT (USDm)	Yuanta Rating	Current price (VND)	Target price (VND)	Up (down) side	2019E Dividend yield	12-m TSR*
Banks	BIDV	BID VN	8,105	1.6	Hold-Outperform	46,700	38,713	-17%	1.9%	-15%
	HD Bank	HDB VN	1,166	2.1	Hold-Underperform	27,550	30,970	12%	0.0%	12%
	MB Bank	MBB VN	2,133	4.0	BUY	21,250	29,880	41%	3.3%	44%
	Sacombank	STB VN	794	1.4	BUY	10,200	14,049	38%	0.0%	38%
	Vietcombank	VCB VN	14,389	2.4	BUY	89,900	92,035	2%	1.1%	3%
Brokers	HCM City Securities	HCM VN	280	1.0	BUY	21,200	29,931	41%	4.5%	46%
	Saigon Securities	SSI VN	400	1.3	Hold-Underperform	18,250	23,525	29%	5.2%	34%
	Viet Capital Securities	VCI VN	206	0.1	Hold-Outperform	29,000	32,437	12%	4.3%	16%
	VNDirect Securities	VND VN	130	0.2	BUY	14,400	13,231	-8%	4.2%	-4%
Energy	PV POW	POW VN	1,182	1.0	BUY	11,700	17,457	49%	2.6%	52%
	PV NT2	NT2 VN	266	0.2	Hold-Outperform	21,450	29,195	36%	9.3%	45%
Consumer	Masan Group	MSN VN	2,901	2.5	BUY	57,500	84,143	46%	0.0%	46%
	Phu Nhuan Jewelry	PNJ VN	843	1.6	Hold-Underperform	86,800	86,300	-1%	2.3%	2%
	Digiworld	DGW VN	42	0.6	Hold-Outperform	23,300	31,574	36%	5.0%	41%
Oil & GAS	PV Drilling	PVD VN	276	1.1	BUY	15,200	19,896	31%	0.0%	31%
Property	Nam Long	NLG VN	291	0.5	BUY	27,000	36,400	35%	1.9%	37%
	Novaland	NVL VN	2,343	0.9	Hold-Ourperform	56,000	65,073	16%	0.0%	16%
	Khang Dien	KDH VN	620	0.4	BUY	26,400	31,081	18%	1.9%	20%
	Vinhomes	VHM VN	12,095	5.1	BUY	85,200	94,862	11%	1.2%	13%
Transport	Airports Corp Vietnam	ACV VN	6,971	0.2	Hold-Underperform	74,200	76,400	3%	1.2%	4%

*Note: TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends.

Pricing data as of close on Jan 3, 2019.

Source: Bloomberg, Yuanta Vietnam

Yuanta Universe: Valuations and ratings																
Sector	Stock Code	PER (x)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2018A	2019F	2020F	2018A	2019F	2020F	2018A	2019F	2020F	2018A	2019F	2020F	2018A	2019F	2020F
Banks	BID VN	28.8	23.4	18.9	3.5	1.0	0.8	2.9	2.4	2.3	10.7	11.2	12.3	0.44	0.53	0.61
	HDB VN	9.1	8.2	6.8	0.2	0.8	0.3	1.6	1.6	1.5	18.0	19.4	22.5	1.40	1.49	1.64
	MBB VN	7.5	5.7	4.6	0.1	0.2	0.2	1.3	1.1	0.9	19.2	21.2	21.6	1.81	2.05	2.19
	STB VN	13.1	8.9	7.7	0.3	0.2	0.5	0.7	0.7	0.6	5.9	8.1	8.6	0.36	0.49	0.52
	VCB VN	25.1	21.7	18.0	0.3	1.4	0.9	5.2	4.2	3.5	22.5	21.3	21.3	1.22	1.31	1.41
Brokers	HCM VN	4.4	18.0	12.5	0.2	(0.2)	0.3	2.1	1.5	1.4	23.1	10.6	12.5	10.39	5.89	7.03
	SSI VN	8.0	10.7	8.8	2.6	(0.4)	0.4	1.0	1.0	0.9	14.8	9.3	10.7	5.69	3.41	3.62
	VCI VN	5.1	7.7	8.0	(4.1)	(0.2)	(2.1)	1.3	1.2	1.1	24.7	16.3	14.1	12.51	8.46	6.87
	VND VN	7.9	9.3	9.2	(0.4)	(0.6)	49.6	1.0	0.9	0.9	13.7	11.3	10.4	3.83	2.95	2.56
Energy	PVD VN	32.4	63.2	19.9	0.1	(1.3)	0.1	0.5	0.5	0.4	1.4	0.7	2.3	0.92	0.49	1.58
	NT2 VN	8.1	8.6	8.3	(2.8)	(1.7)	2.1	1.7	1.6	1.6	18.0	19.6	19.9	8.31	8.79	10.29
Consumer	MSN VN	12.6	13.9	13.2	0.2	(1.5)	2.3	2.3	2.0	1.7	20.7	15.2	14.0	8.78	7.31	7.19
	PNJ VN	16.3	18.8	15.1	(0.9)	(1.4)	0.6	3.9	3.2	2.6	28.7	27.5	27.9	17.79	17.79	16.93
	DGW VN	8.6	6.9	5.6	0.2	0.3	0.2	1.2	1.1	1.0	15.2	17.1	18.9	5.80	6.12	7.13
Oil & GAS	POW VN	14.3	10.9	8.5	(1.0)	0.3	0.3	1.0	1.0	1.0	7.0	9.1	10.7	3.24	4.46	5.86
Property	NLG VN	7.7	10.9	7.1	0.4	(0.4)	0.1	1.2	1.2	1.1	16.8	12.9	16.9	9.28	6.66	10.00
	NVL VN	16.3	21.2	17.1	1.6	(0.9)	0.7	2.6	2.6	2.6	10.2	11.2	11.1	3.12	3.42	3.33
	KDH VN	15.0	17.8	13.0	0.4	(1.1)	0.4	1.6	1.9	1.7	11.7	11.9	14.5	7.92	7.45	8.88
	VHM VN	18.7	15.6	12.2	0.2	0.8	0.5	5.9	4.5	3.4	30.7	30.0	28.7	12.35	11.56	11.88
Transportatio	ACV VN	27.4	26.1	24.1	0.5	5.2	2.9	5.1	4.5	3.9	21.2	20.7	18.8	11.97	12.13	11.39

Pricing data as of close on Jan 3, 2019.

Source: Bloomberg, Yuanta Vietnam

Appendix A: Important Disclosures

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