

**What's new?**

- ▶ Panic over 2019-nCoV has crushed our thesis for a post-Tet rally.
- ▶ Policies to control the virus at home and globally are prudent and wise, but also have macro implications.
- ▶ History is an untrustworthy guide, but buying into a panic of this nature (e.g. Taiwan and HK in 2003) can lead to attractive subsequent returns.
- ▶ Health > money. Stay safe!

**Market outlook**

- ▶ Stock volatility will almost certainly remain high in the short term.
- ▶ Global macro impact is likely to be greater than that of SARS.
- ▶ But the severity of this impact depends on the length of the outbreak – obviously, an unknown.
- ▶ We believe investors who can endure the volatility will be well rewarded on a 12 to 18 month view.

Top 20 VNIndex components				
Company	Ticker	Weighting	MoM change	TTM PE (x)
Vingroup	VIC	12%	0%	50
Vietcom Bank	VCB	10%	-1%	18
Vinhomes	VHM	9%	0%	13
BIDV	BID	7%	15%	23
Vinamilk	VNM	6%	-8%	20
PVGas	GAS	5%	-12%	14
Sabeco	SAB	4%	-7%	28
Vietin Bank	CTG	3%	18%	10
Techcom Bank	TCB	2%	-9%	7
Vincom Retail	VRE	2%	-13%	24
Vietjet Air	VJC	2%	-15%	16
Hoa Phat Group	HPG	2%	2%	10
Petrolimex	PLX	2%	-11%	15
Masan	MSN	2%	-13%	10
VN Prsperty Bank	VPB	2%	11%	7
Novaland	NVL	2%	0%	16
Military Bank	MBB	2%	-4%	6
Mobile World	MWG	2%	-6%	12
Baoviet Hidngs	BVH	1%	-19%	36
Vietnam Airlines	HVN	1%	-21%	17

Source: Bloomberg, Yuanta Vietnam

**Coronavirus and the market selloff**

**A post-holiday rout.** As of today's lunchtime close, the VNINDEX has fallen 6.6% since returning from the holidays, crushing our [thesis](#) for a post-Tet rally. Foreigners net sold aggressively along with local investors on Jan 30-31. But in a positive sign, FINIs were small net buyers on Feb 3 – the most volatile day of the coronavirus panic so far.

**Macro impact is likely greater than that of SARS.** The SARS outbreak of 2003 was severe but short, whereas the severity and duration of 2019-nCOV remain unknown. However, China's global significance has gone parabolic since 2003, and the various measures to control the CoV both in China and globally appear to be far more substantial and economically significant than policies to combat SARS were. The implications for Vietnam's manufacturing, agriculture, and services are negative, but the degree of this impact will depend on the duration of the outbreak.

**"Catch a falling knife" vs "be greedy when others are fearful".** History can be an untrustworthy guide, but similar panics have offered attractive buying opportunities in the past. For example, Taiwan stocks fell 11% in five trading sessions when the SARS panic hit the market there. Greedy index buyers on Day Five of that panic then enjoyed a 42% rally to yearend (plus dividends). Will history rhyme?

**Market volatility is extremely likely to continue in the short term** and calling a bottom is a mug's game given the epidemiological unknowns of the coronavirus. That said, we agree with Mr. Buffet's advice (i.e., "be greedy...") and we believe that investors who can endure the volatility will be well rewarded on a 12- to 18-month view. We don't expect Vietnam to replicate Taiwan's 2003 performance this year, but our peak VNI target of 1000 points offers 8% upside from the lunchtime close.

**Our top picks** are: 1) [VHM](#) – and we like the shift from high-end to the mid-end property even more now; 2) [VCB](#) and [STB](#) – a barbell position in the banks; 3) [POW](#) – a defensive play on electricity, which is undersupplied regardless of any macro slowdown; and 4) [HCM](#) – as a long-term play on the development of Vietnam's capital markets.

**Steel manufacturer Hoa Phat (HPG VN, Not rated) could be interesting** here given the possible resumption of infrastructure projects in 2021. Based on Bloomberg consensus forecasts for 2021E, HPG is currently trading on 6.8x PER and 1.1x PBV with 17.8% ROE. Street forecasts imply a 6.2% dividend yield for HPG in 2021E.

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**ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.**

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## Key points of directive 06/CT-TTg to prevent CoV epidemic

- Suspend all flights to and from epidemic areas of China to Vietnam.
- Stop issuing tourist visa to foreigners (including Chinese tourists) who have been in China in the past two weeks.
- Avoid gathering in crowds and suspend scheduled Lunar New Year and other festival activities.
- Strictly control people crossing at all border gates.
- Stop transporting tourists and laborers to China.
- Carefully supervise all Chinese nationals who are living and working in Vietnam and who return after the holiday.
- Temporarily close borders and discourage trade activities with China during the epidemic.
- Most provinces (including HCMC) have extended the primary and secondary school holiday for an additional week. Schools had originally been scheduled to reopen on Feb 3.

Source: Yuanta Vietnam

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*
<b>Banks</b>	BIDV	BID VN	9,268	1.6	Hold-Outperform	53,500	38,713	-28%	1.7%	-26%
	HD Bank	HDB VN	1,119	2.0	Hold-Underperform	27,000	30,970	15%	0.0%	15%
	MB Bank	MBB VN	2,038	4.1	BUY	20,350	29,880	47%	3.5%	50%
	Sacombank	STB VN	796	1.4	BUY	10,250	14,049	37%	0.0%	37%
	Vietcombank	VCB VN	14,169	2.9	BUY	88,700	92,035	4%	1.1%	5%
<b>Brokers</b>	HCM City Securities	HCM VN	245	1.0	BUY	18,650	29,931	60%	5.1%	66%
	Saigon Securities	SSI VN	380	1.3	Hold-Underperform	17,050	23,525	38%	5.6%	44%
	Viet Capital Securities	VCI VN	190	0.1	Hold-Outperform	26,800	32,437	21%	4.6%	26%
	VNDirect Securities	VND VN	126	0.1	BUY	14,000	13,231	-5%	4.3%	-1%
<b>Energy</b>	PV POW	POW VN	1,008	1.0	BUY	9,990	17,457	75%	3.0%	78%
	PV NT2	NT2 VN	232	0.2	Hold-Outperform	18,700	29,195	56%	10.7%	67%
<b>Consumer</b>	Masan Group	MSN VN	2,517	2.6	BUY	50,000	84,143	68%	0.0%	68%
	Phu Nhuan Jewelry	PNJ VN	803	2.1	Hold-Underperform	82,800	86,300	4%	2.4%	7%
	Digiworld	DGW VN	42	0.5	Hold-Outperform	23,200	31,574	36%	5.1%	41%
<b>Oil &amp; GAS</b>	PV Drilling	PVD VN	227	1.3	BUY	12,500	19,896	59%	0.0%	59%
<b>Property</b>	Nam Long	NLG VN	277	0.5	BUY	25,800	36,400	41%	1.9%	43%
	Noaland	NVL VN	2,338	0.9	Hold-Ourperform	56,000	65,073	16%	0.0%	16%
	Khang Dien	KDH VN	579	0.3	BUY	24,700	31,081	26%	2.0%	28%
	Vinhomes	VHM VN	12,071	5.5	BUY	85,200	94,862	11%	1.2%	13%
<b>Transport</b>	Airports Corp Vietnam	ACV VN	5,504	0.1	Hold-Underperform	58,700	76,400	30%	1.5%	32%

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

Pricing data as of close on Feb 3, 2020.

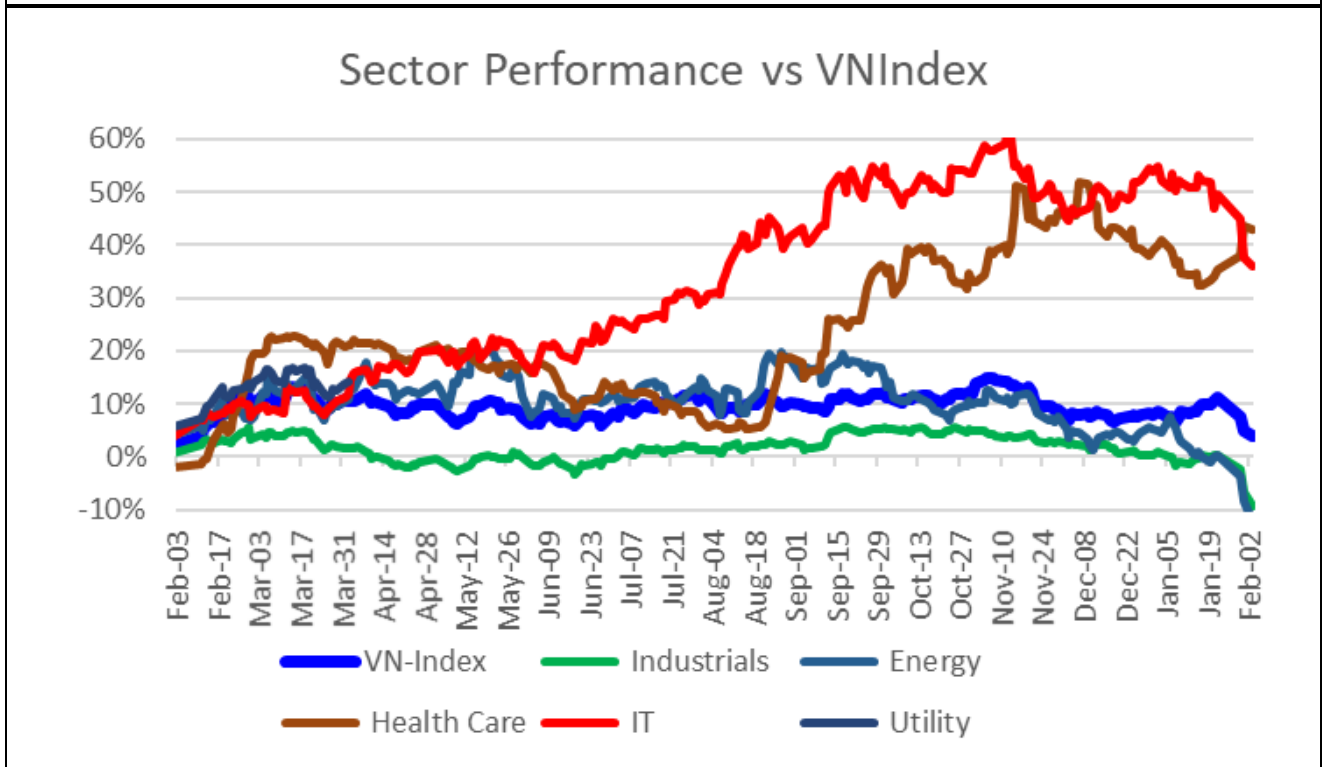
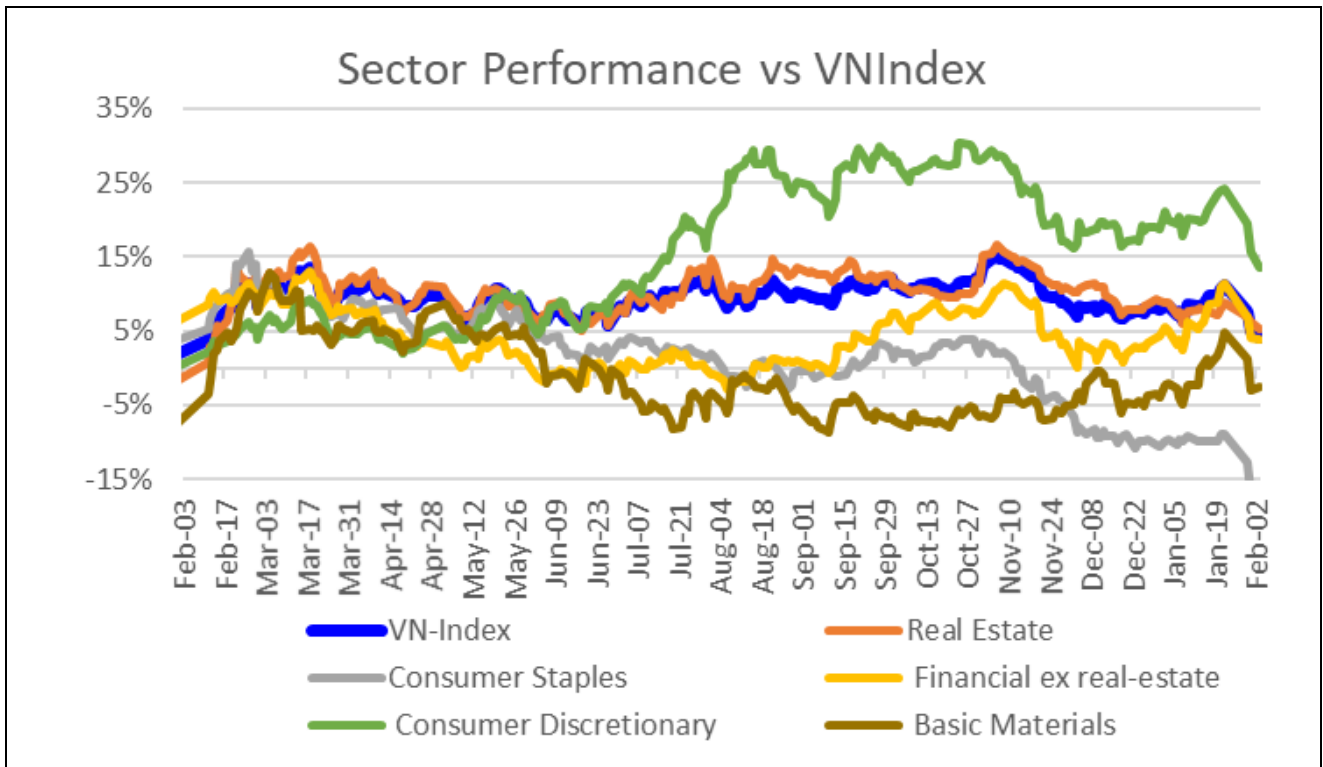
Source: Bloomberg, Yuanta Vietnam

**Yuanta Universe: Valuations and ratings**

Stock		PER (x)			EPS growth (%)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
Sector	Code	2018A	2019F	2020F	2018A	2019F	2020F	2018A	2019F	2020F	2018A	2019F	2020F	2018A	2019F	2020F	2018A	2019F	2020F
<b>Banks</b>	BID VN	33.0	26.8	21.7	8.3	22.9	23.6	4.0	1.2	0.9	3.3	2.8	2.6	10.7	11.2	12.3	0.44	0.53	0.61
	HDB VN	8.9	8.0	6.7	48.1	10.5	20.1	0.2	0.8	0.3	1.6	1.5	1.5	18.0	19.4	22.5	1.40	1.49	1.64
	MBB VN	7.2	5.5	4.4	72.1	31.4	23.8	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	40.8	47.1	15.5	0.3	0.2	0.5	0.8	0.7	0.6	5.9	8.1	8.6	0.36	0.49	0.52
	VCB VN	24.7	21.4	17.7	79.7	15.7	20.7	0.3	1.4	0.9	5.1	4.1	3.5	22.5	21.3	21.3	1.22	1.31	1.41
<b>Brokers</b>	HCM VN	3.9	15.8	11.0	26.1	(75.4)	44.5	0.1	(0.2)	0.2	1.9	1.3	1.2	23.1	10.6	12.5	10.39	5.89	7.03
	SSI VN	7.5	10.0	8.2	3.1	(25.3)	21.6	2.4	(0.4)	0.4	1.0	0.9	0.9	14.8	9.3	10.7	5.69	3.41	3.62
	VCI VN	4.7	7.1	7.4	(1.2)	(33.9)	(3.8)	(3.8)	(0.2)	(1.9)	1.2	1.1	1.0	24.7	16.3	14.1	12.51	8.46	6.87
	VND VN	7.7	9.0	9.0	(22.4)	(14.9)	0.2	(0.3)	(0.6)	48.2	1.0	0.9	0.9	13.7	11.3	10.4	3.83	2.95	2.56
<b>Energy</b>	POW VN	12.2	9.3	7.3	(14.0)	31.2	27.5	(0.9)	0.3	0.3	0.9	0.8	0.7	7.0	9.1	10.7	3.24	4.46	5.86
	NT2 VN	7.1	7.5	7.2	(2.9)	(5.2)	3.9	(2.4)	(1.4)	1.9	1.5	1.4	1.4	18.0	19.6	19.9	8.31	8.79	10.29
<b>Consumer</b>	MSN VN	11.0	12.1	11.4	67.2	(9.2)	5.6	0.2	(1.3)	2.0	2.0	1.7	1.5	20.7	15.2	14.0	8.78	7.31	7.19
	PNJ VN	15.5	18.0	14.4	(17.2)	(13.6)	24.4	(0.9)	(1.3)	0.6	3.7	3.0	2.5	28.7	27.5	27.9	17.79	17.79	16.93
	DGW VN	8.5	6.8	5.5	37.4	24.5	23.3	0.2	0.3	0.2	1.2	1.1	1.0	15.2	17.1	18.9	5.80	6.12	7.13
<b>Oil &amp; GAS</b>	PVD VN	26.7	51.9	16.3	336.8	(48.7)	218.0	0.1	(1.1)	0.1	0.4	0.4	0.4	1.4	0.7	2.3	0.92	0.49	1.58
<b>Property</b>	NLG VN	7.3	10.4	6.7	17.7	(29.6)	54.4	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	10.0	(23.3)	23.8	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	14.1	16.7	12.2	40.0	(15.8)	37.0	0.4	(1.1)	0.3	1.5	1.8	1.6	11.7	11.9	14.5	7.92	7.45	8.88
	VHM VN	18.7	15.6	12.2	93.7	20.4	27.1	0.2	0.8	0.5	5.9	4.5	3.4	30.7	30.0	28.7	12.35	11.56	11.88
<b>Transportation</b>	ACV VN	21.7	20.7	19.1	55.1	5.0	8.3	0.4	4.1	2.3	4.0	3.6	3.1	21.2	20.7	18.8	11.97	12.13	11.39

Pricing data as of close on Feb 3, 2020.

Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg

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