

Date: 14/08/2020

HIGHLIGHTS

* **Market:** VN-Index Range: Support 817/ Resistance 880 | Volume: USD 191.17.95mn vs 30 days avg of USD 200.94mn | Foreign net sell USD5.58mn.

* **Headlines:** Vingroup JSC (VIC VN), Viet Nam National Petroleum Group (PLX VN), Thanh Cong Textile Garment JSC (TCM VN).

* **Research:** THE EFFECT OF COVID-19: COVID-19: A global pandemic – 8 months on | Flash News - VHC – 2Q20 results in line with expectations, Flash News- VJC – Unexpected 2Q20 Results| Company Update: PNJ Update – Downgrade to HOLD to reflect COVID-19's heavy impacts, CTG Initiation - BUY recommendation with TP: VND27,000/share, SCS Update - Maintain BUY recommendation with unchanged target price.

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MARKET

* **Thoughts:** Overall, together with market's gain, market sentiment remained positive as there were 294 gainers and 95 laggards. However, market liquidity was still in the low range while foreign capital outflow continued. With that, although VN-Index surpasses the resistance 850 point, downward adjustment risk has not ended in coming sessions.

		Performance (%)			Liquidity (mn USD)		Net Foreign Flows (mn USD)		
Index	Close	1 Day	MTD	YTD	1 Day	30 Day Avg	1 Day	MTD	YTD
VNI	855.05	0.96	7.10	-11.02	191.17	200.94	-5.58	-57.89	-75.96
HNX	116.87	0.66	8.71	14.01	17.82	19.19	-1.03	-1.69	-96.45
UPCOM	56.86	0.14	3.76	0.54	9.08	13.93	-0.83	-2.24	-32.21
Total					218.07	234.06	-7.44	-61.81	-204.61

Source: Bloomberg, FiinPro, ACBS

SECTOR MOVEMENT - HOSE

Sector/ Index	Current % Wgt.	% Change			P/E	P/B	Net foreign funds flow (bn VND)		
		1 Day	30 Days	YTD			1 day	30 Days	YTD
Financials	29.3%	1.1%	0.1%	-7.7%	13.9	2.1	-0.2	-17	-2,907
Real Estate	26.0%	0.5%	-0.1%	-12.7%	25.0	3.3	-156.6	-776	6,658
Consumer Staples	16.0%	1.0%	7.3%	-0.8%	23.8	5.1	35.9	74	57
Industrials	7.9%	1.4%	0.4%	-9.3%	18.9	2.2	-12.3	-272	-3,759
Utilities	7.0%	1.8%	-0.3%	-18.1%	14.5	2.2	-4.8	-60	-2
Materials	4.3%	1.2%	3.9%	33.5%	14.6	1.6	12.0	-582	-2,818
Consumer Discretionary	2.6%	2.3%	-2.6%	-20.1%	13.2	2.2	-4.7	-72	-603
Energy	2.3%	0.2%	3.0%	-18.2%	92.8	2.6	0.7	264	83
Unclassified	2.0%	-0.1%	-4.0%	5.5%	14.3	1.6	2.6	287	1,463
Information Technology	1.4%	0.8%	2.6%	-2.3%	11.5	2.4	0.2	-27	191
Health Care	1.0%	1.1%	2.8%	5.0%	16.6	2.9	-2.3	11	-110
Communication Services	0.1%	0.2%	-3.9%	34.1%	0.0	1.3	-0.2	0	-15
VNINDEX	100.0%	1.0%	-1.6%	-11.0%	14.3	2.0	-129.9	-1,171	-1,763
VN30	77.8%	0.8%	-1.4%	-9.6%	11.0	1.8	-65.6	-498	5,857
VN100	87.1%	0.8%	-1.4%	-9.2%	11.4	1.7	-131.5	-1,151	-1,103

Source: Bloomberg, FiinPro, ACBS estimated



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HEADLINES

- * **Vingroup JSC (VIC VN):** Vinsmart, a Vingroup's unit, pairs with Medtronic to produce ventilator components. Initial 50k units are expected to deliver to U.S and Ireland in 2020. (ndh.vn)
- * **Viet Nam National Petroleum Group (PLX VN):** Co. intends to offer additional 13m treasury shs, expected to reduce its treasury shs to 75m units. No timeline provided yet. (ndh.vn)
- * **Thanh Cong Textile Garment JSC (TCM VN):** Jul. and 7M net profit posted at USD1.27m (+29%Y/y) and USD6m (flat Y/y), respectively. (hsx.vn)

ACBS RESEARCH

THE EFFECT OF COVID-19:

* **COVID-19: A global pandemic – 8 months on:** In Vietnam, after a period of calm, the country reported the first community transmission case after 99 days without any cases reported. From July 25th until now (Aug 11th) Vietnam recorded a total of 338 new cases in the community at 9 provinces (Da Nang, Quang Nam, Dak Lak, HCMC, Quang Ngai, Ha Noi, Thai Binh, Dong Nai and Ha Nam). Vietnam also recorded its first fatalities during this second wave, with 16 deaths recorded to date who have tested positive for COVID-19. The hospitality industry was hit the hardest from the first wave and will continued to be hit by the second wave in Vietnam. The transportation sector strongly impacted along with hospitality sector. Supply chain disruption and lower demand drag down manufacturing industries. The COVID-19 pandemic seriously affected trade, service and import-export activities in 1H2020 as all major import and export partners of Vietnam got hit hard by COVID-19; total turnover of import-export of goods estimated USD238.4bn (-2.1% YoY, and vs +8.00% YoY in 1H19).. Negatively impact domestic consumption. Impact on the progress of public investment projects. Promoting public investment in Vietnam is a key task for GDP growth as companies' performances are expected to be negatively impacted by the COVID-19 while foreign capital inflows are expected to decline.

FLASH NEWS:

* **Flash News - VHC – 2Q20 results in line with expectations:** VHC reported 19.5% YoY decline in revenue in 2Q20 to VND1,630.1bn and 48.7% YoY decline in 2Q20 net profit to VND215.4bn. In 1H20, VHC recorded 14.4% YoY decline in top line (to VND3,266.2bn) and 49.5% YoY decline in bottom line (to VND367.6bn), representing 46.5% and 50.4% of our FY20 forecast, respectively. We maintain our TP unchanged at VND33,700/sh (-0.4% TSR inclusive of 2.8% dividend yield) for VHC based on a combination of DCF and PER methodology. Our target PER remain at 6.2x, a 40% discount vs. Japfa – the surrogate company to evaluate Vietnam's anti-dumping tax. Reiterate HOLD.

* **Flash News - VJC – Unexpected 2Q20 Results:** VJC reported unexpected 2Q20 result with -54.5% YoY decline in revenue (to VND4,970bn) but a doubling of net profit to VND1,062.5bn despite no international flights and 1 month of lockdown in Vietnam in April 2020. According to management, VJC has operated approx. 300 cargo onboard flights to compensate the decline from international flights and approx. 14,000 flights in 2Q20 thanks to the increasing demand from domestic travellers in June and July 2020 which coincide with summer time and high season for Vietnam domestic tourism. However, this couldn't compensate with the decline from international flights as this is only equivalent to one-third of VJC's flights in 2Q19 (35,175 flights including both domestic and international flights).



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COMPANY UPDATE:

*** PNJ Update – Downgrade to HOLD to reflect COVID-19's heavy impacts:** We revised down our recommendation to HOLD to reflect COVID-19's heavy impacts on the company's 1H2020 business results as well as conservativeness for 2H2020 performance given the epidemic's recent developments in Vietnam. With no new COVID-19 cases recorded in community throughout nearly 100 days after social distancing phase in April, a potential recovery started to be expected in Vietnam's economic activities for 2H2020. Still, the epidemic's recent developments with increasing new cases in Da Nang city has raised concerns about the second wave in the country, dampening expectations. Nevertheless, we still think that consumption for non-essential/luxury products could be curbed, in view of uncertainty in consumers' jobs and incomes driven by the epidemic's unpredictable movements. For PNJ, we project the high gold-content products may continue to lead in terms of growth rate while retail and wholesale revenues are probably unable to rebound strongly this year. Combining DCF and PER methods, we revised down our target price for the stock to VND55k/share, equivalent to a total return of 10.8%.

*** CTG Initiation - BUY recommendation with TP: VND27,000/share:** Our view: Improving asset quality, decreasing credit costs and non-interest income growth will be the key drivers of profit growth in the coming years. Our target P/B is quite similar to CTG's historical median P/B of 1.12x. Upside potential: The impact of Covid-19 was less than expected, resulting in a lower than expected bad debt and higher than expected profits. The equity raising plan would be soon implemented and increase CTG's credit growth room. The upfront fee receiving from bancassurance exclusive deal, if recorded at once, would also have a positive impact on CTG's profit and its share price. Downside risk: NPLs would be higher than expected and NPL recovery process would be longer than expected due to the impact of Covid-19

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