

ALL-TIME HIGH

From series "Outlook 2022"



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I. REVIEW 2021: A YEAR OF BREAKTHROUGH

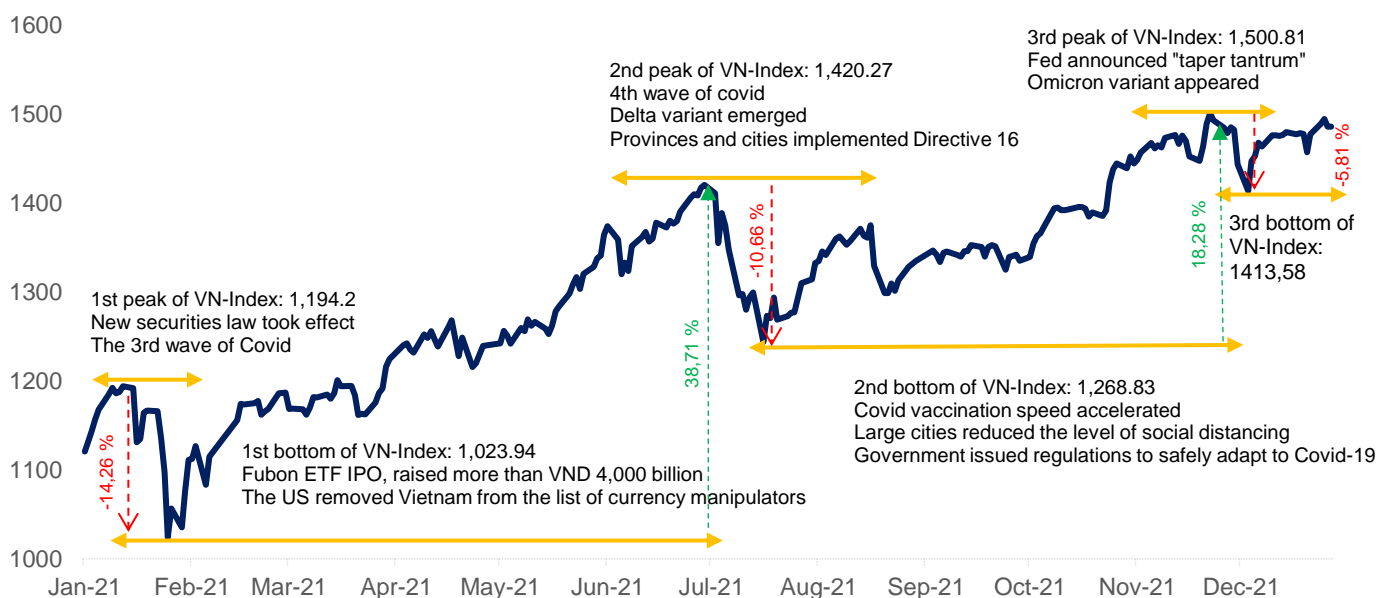
1. The strong growth of market indexes

Following the uptrend from 2020, the VN-Index has broken through the 1200-point resistance and hit many new record highs in 2021. The index movements can be divided into two phases:

Phase 1 lasted for the first 6 months of 2021. Because of the 3rd COVID-19 wave in Vietnam, the stock market recorded the first sharp correction after a strong uptrend in December 2020. The VN-Index fell by 14.26% from its peak of 1,194.2 in January to the lowest of 2021 at 1,023.94 points. After pandemic panic had passed, the market received a rather positive uptrend that lasted until the beginning of July 2021. During this period, the VN-Index increased by 38.71% and formed a new peak at 1,420.27 points.

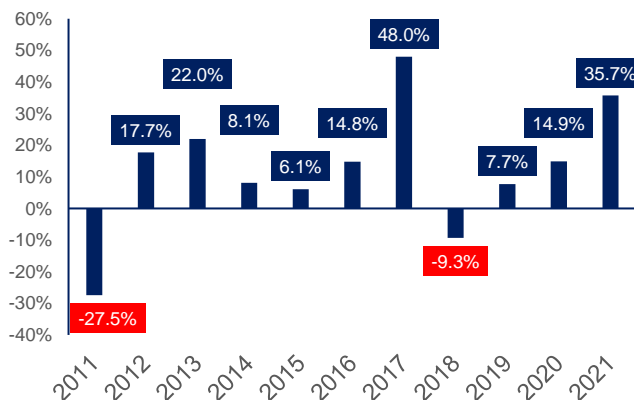
Phase 2 fell within the remaining half of 2021. Similar to the first phase, the market recorded a strong correction due to another period of panic triggered by the 4th COVID-19 wave. The VN-Index dropped by 10.66% to a new bottom of 1,268.83 points. In August, an uptrend was formed, pulling the VN-Index by 18,28% to its 2021 peak of 1,500.81 points.

Figure 1 – Main events and VN-Index's movements in 2021

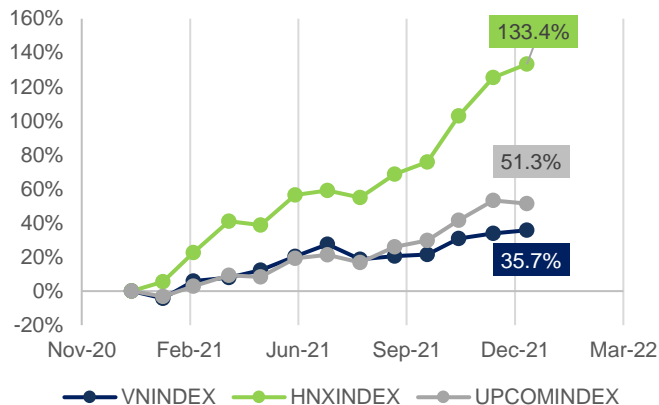


Source: FPT Research

By the end of 2021, the VN-Index recorded an increase of 35.73% compared to the closing point of the previous year. This is a high growth rate of the index during the period of 2011-2021 and is only lower than that of 2017. Meanwhile, both HNX-Index and UPCoM Index recorded significantly higher growth rates of 133.35% and 51.35%, respectively. The HNX-Index has broken out from the historical peak of 433.83 points in 2007 and the UPCoM-Index is also approaching the peak of 126.95 points in 2014.

Figure 2 - Performance of VN-Index in 2011-2021


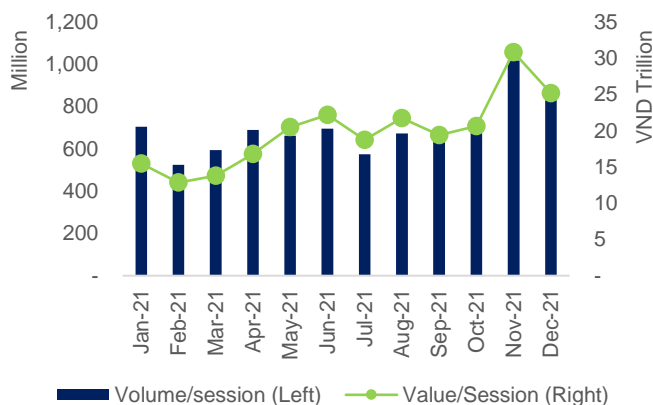
Source: FPT S

Figure 3 - Indexes movement in 2021


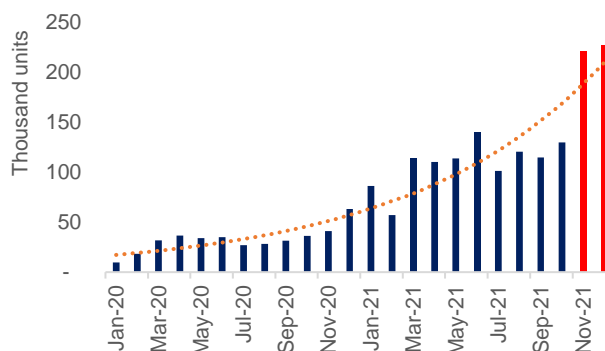
Source: FPT S

2. Domestic individual investors push market liquidity to new heights

Low-interest rates and positive market trends are the driving forces to attract individual investors to join the market in 2021. Market liquidity reached a new record high and the average trading value on the HSX was pushed up to more than VND 20,000 billion per session. In November 2021, daily trading value peaked at VND 30,000 billion per session and the number of new accounts of domestic investors reached over 200,000 units. Compared to 2020, the growth of average trading value per day and average trading volume per day on the HSX reached 2.84 times and 1.36 times, respectively.

Figure 4 - Liquidity of VN-Index in 2021


Source: FPT S

Figure 5 - Number of new domestic individual investor's account monthly


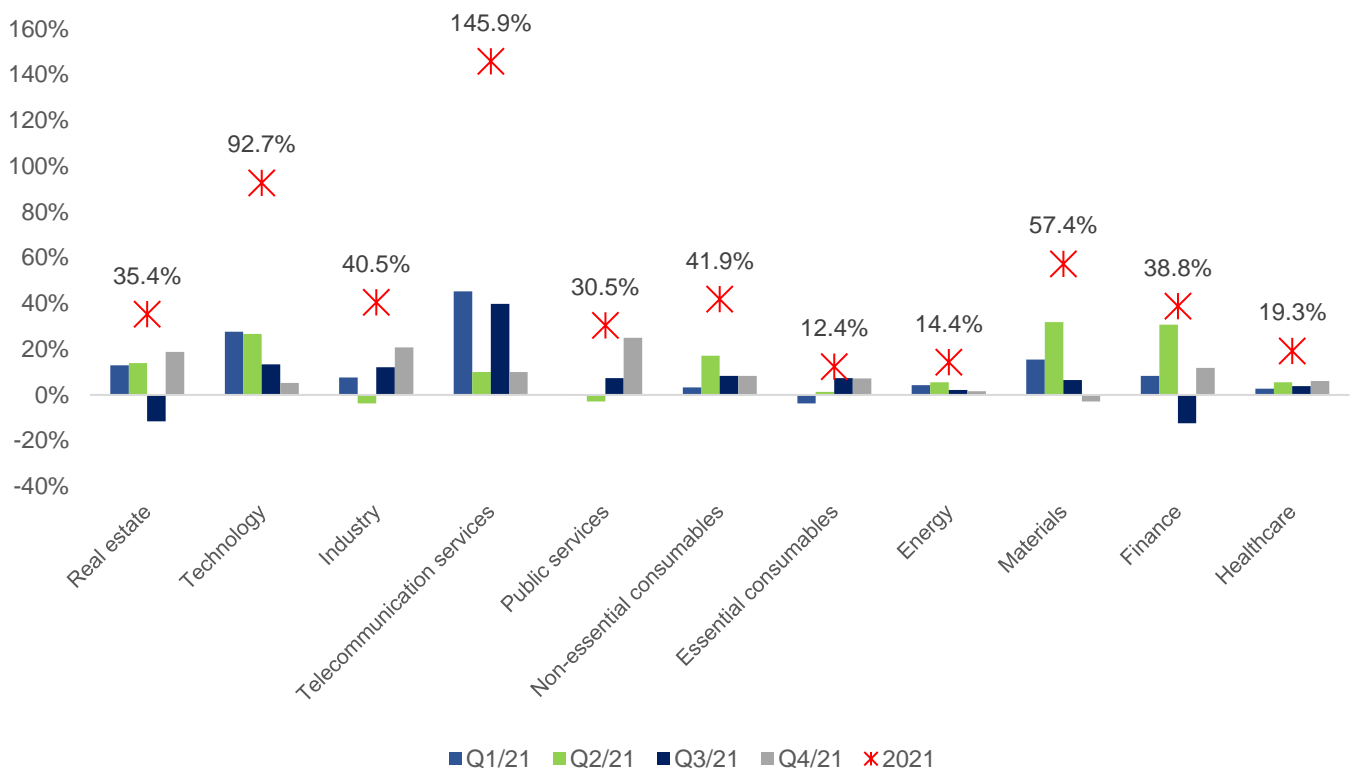
Source: FPT S

According to the Vietnam Securities Depository (VSD), the number of new accounts opened by domestic individual investors is still accelerating. The number of new accounts opened in December 2021 set a new record with 226,390 units and the total for the whole year of 2021 is 1,532,637 units - 2.9 times higher than in 2020.

3. Most of the sectors are bullish. Divergence occurs in capitalization groups.

The bullish market has made a positive impact on most sectors in 2021. Telecommunications services (+145.88% yoy), Technology (+92.70% yoy), Materials (+57.36% yoy) are the fastest growing sectors on the HSX. On the other side, Essential consumer goods (+2.41% yoy), Energy (+14.40% yoy), Healthcare (+19.28% yoy) are the weak growth groups.

Figure 6 – Sectors performance in 2021



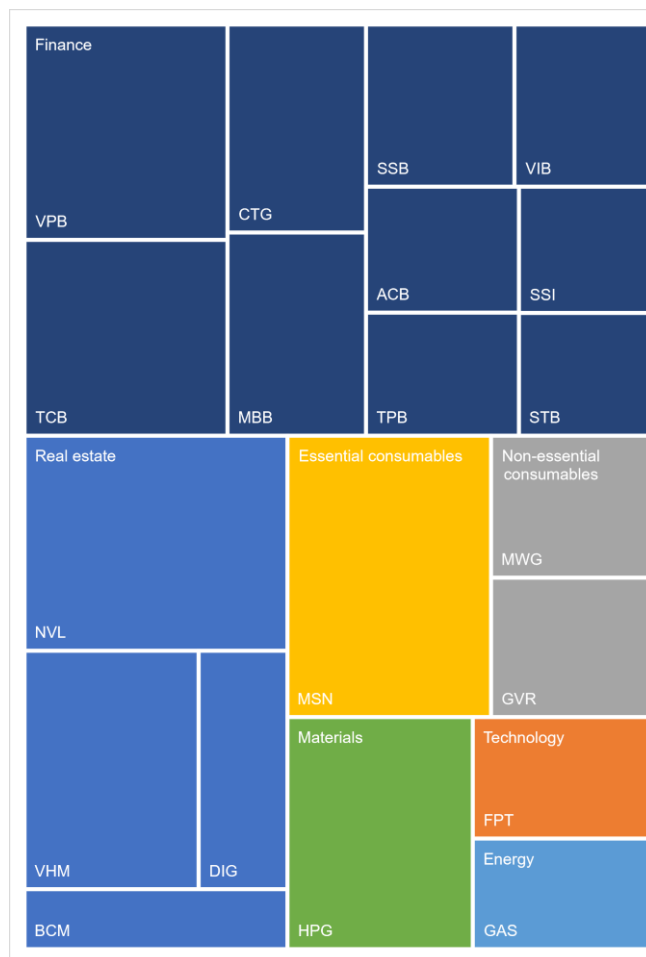
Source: FPT S

According to the ability to affect the VN-Index, the Banking and Real Estate sectors are the most positive factors, helping to expand the market trend in 2021. These sectors have the largest number in the Top 20 stocks had a positive impact on the trend of the VN-Index. In addition, FPT, MWG, GVR, MSN and HPG are the stocks with strong trends and the most attention. On the other side, VNM and SAB were the two large-cap stocks that had the most negative impact on the index.

The trend of large-cap stocks showed signs of weakening when the market entered the second half of 2021. The VN30 index turned sideways in the last 6 months of the year. Meanwhile, small and mid-cap stocks became the market's top concern. As of December 31, 2021, the VN MID-Index and VNSML-Index both recorded strong increases, reaching 77.61% and 72.31% respectively for the whole year of 2021.

Figure 7 - Mid caps & Small caps outperformed the market


Source: FPT S

Figure 8 - VN-Index's top mover in 2021


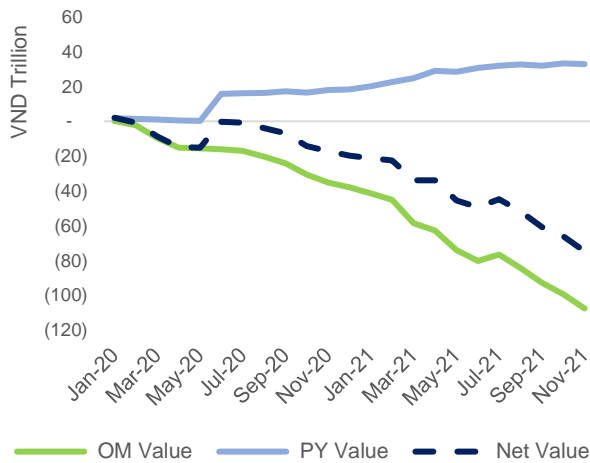
Source: FPT S

4. Foreign investors' net selling reached a record high

The net selling value of foreign investors is boosted in 2021 due to the Covid-19 pandemic. According to statistics, the accumulated net selling value of foreign investors in 2021 is VND 57.87 billion, up 3.8 times compared to 2020 and reaching the highest level in recent years. This move is maintained by the following reasons: (1) foreign investors tend to withdraw money from the frontier markets; (2) a sharp increase in price leads to taking profits in the portfolio (3) there are not many businesses that match the changed investment criteria of investors during the pandemic

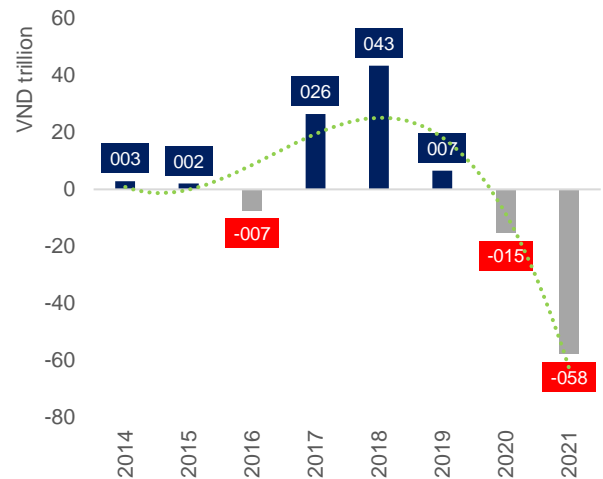
However, this net selling pressure from foreign investors did not cause a negative impact on market movements because the proportion of foreign investors' trading value was only about 5-7% of the total market transaction value. In addition, the divergence between put-through and matching transaction values of foreign investors remained. The put-through transaction value of foreign investors in 2021 recorded positive growth and the accumulated net transaction value reached VND 14,887 billion.

Figure 9 – Accumulated transaction value of foreign investors in 2021



Source: FPT S

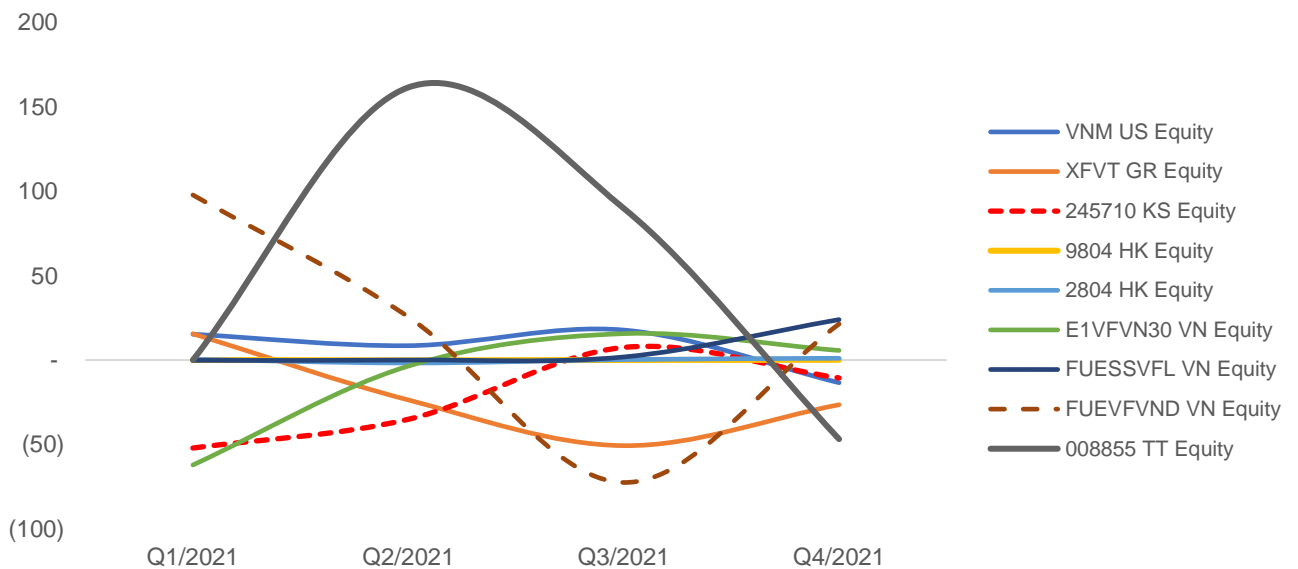
Figure 10 - Foreign Investors net sold in 2014 - 2021



Source: FPT S

Kim Kindex and FTSE Vietnam ETF are the two foreign exchange-traded funds that experienced the largest net outflow in 2021 (Total net outflow value of \$176 million). The Fubon FTSE Vietnam ETF, after 2 quarters of maintaining net inflows, also started to record a net outflow in the fourth quarter. Meanwhile, FUESSVFL and FUEVFNVD ETF had a net inflow of USD 25.6 and USD 72.2 million, respectively. These domestic ETFs have helped to balance the cumulative value of ETF inflows in the market in 2021.

Figure 11 – ETFs in/outflow in 2021 (US\$m)



Source: Bloomberg, FPT S compilation

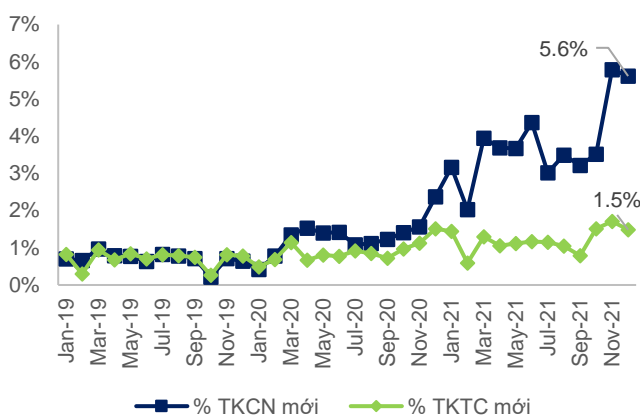
II. 2022 OUTLOOK : NEW PEAK AHEAD

1. Cash flow of domestic investors will support the market trend

In 2022, the growth rate of the number of new individual accounts may slow down compared to 2021. The reasons are: (1) Part of the cash flow will return to production and business activities after the pandemic. ; (2) Inflation pressure and deposit interest rates are forecasted to increase. However, we expect the attraction of the stock investment channel to domestic investors to remain positive, at least in the first 6 months of the year.

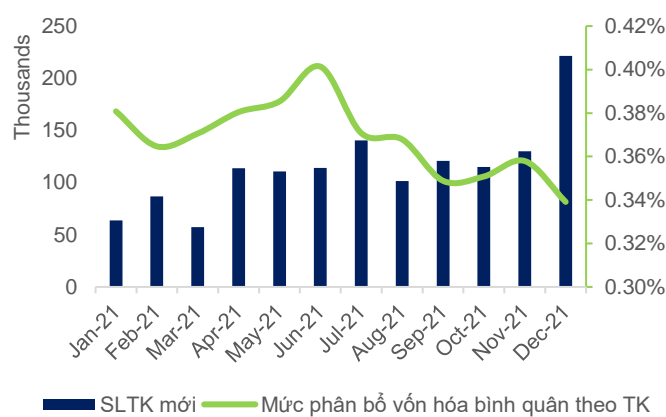
On the other hand, statistics from VSD in the fourth quarter of 2021 also show a breakthrough in the number of new accounts opened by institutional investors. The advantage of institutional investors is large cash flow and long-term investment compared to individual investors. This will be one of the significant factors supporting the index trend in 2022.

Figure 12 - Growth of new individual and institutional accounts



Source: FPTs compilation

Figure 13 - Correlation between new accounts and market capitalization



Source: FPTs compilation

In contrast to the strong increase in the number of new accounts opened, the index of market capitalization per securities account is showing signs of going down since the peak in July 2021 until now. Typically, this index will rise in a bull market and fall in a bear market according to the change in market capitalization. However, the current decline of this index reflects the growth rate of market capitalization which is significantly slower than that of new accounts. In terms of psychology, we find that this divergence is similar to the period in the first quarter of 2020 when the number of new accounts increased rapidly along with VN-Index's correction. Considering the case of short-term corrections, the market will still receive support from new money flow, which is standing outside waiting for opportunities. On the other hand, this is also a positive signal in the long term for the possibility of expanding the market capitalization.

2. VN-Index is expected to reach 1,800 points in 2022

We believe that the Vietnamese stock market is still in a long-term uptrend. 2020 is the beginning of a bullish phase in the long-term trend and 2021 is a sustainable extension to the upside. Market liquidity continued to expand in both volume and value. If the VN-Index breaks out and successfully tests the 1,500 point level as new support in the first half of 2022, we expect the market's upward momentum to be maintained and lead the VN-Index to set a new high at 1,800-1,850 points.

Chart 1 – VN-Index monthly chart


Source: FPTS

However, when studying the VN-Index's cycle in the long-term, we pay more attention to the risk of a possible reversal in the second half of 2022. Based on Raymond A. Merriman's method of measuring the market cycle by the time from bottom to bottom, we find that the VN-Index is in a 4-year (60-month) cycle. In which, the 30-month MA plays the role of dividing long-term tops and bottoms.

Features of price cycles include:

- Bullish cycles (The bottom ending the previous cycle is higher than the bottom starting the new cycle) are still following the long-term uptrend of the index.
- The bearish momentum in the correction phase is proportional to the previous uptrend.
- Cycles, which have a short period of sharp rise, often require a longer time to adjust.

The VN-Index is currently in the bullish phase of the sixth 4-year cycle with the first bottom determined in March 2020. Based on average cycle duration of 48 months (+/- 08 months), the current cycle end time is expected to fall in the period 2024-2025. Due to the correlation with the previous cycle, the risk of VN-Index reversing will need to be focused on.

Table 1 - Market Cycle Assumptions According to Raymond A. Merriman (+/8 months)

Cycle	Period	1 st Bottom	2 nd Bottom	Peak	Time of Cycle (month)	Bullish phase (month)	Bearish phase (month)	% Increase	% Reduction
1	Jul 2000 – Oct 2003	100.00	130.9	571.04	40	12	28	471.04%	-77.08%
2	Oct 2003 – Feb 2009	130.90	234.66	1174.1	64	40	24	796.94%	-80.01%
3	Feb 2009 – Dec 2011	234.66	346.48	633.21	34	8	26	169.84%	-45.28%
4	Dec 2011 – Jan 2016	346.48	513.82	640.19	49	32	17	84.77%	-19.74%
5	Jan 2016 – Mar 2020	513.82	649.1	1187.42	50	26	24	131.10%	-45.34%
6	Mar 2020 - Now	649.1							

Source: FPT S

On the positive side, the target for the VN-Index's resistance level is still determined at 1,800 points. On the other side, the index's support level will be 1,200 points, equivalent to the average correcting level of the last 3 cycles (~33.3%). In a shorter time frame (weekly), the area of 1,350 – 1,400 points is expected to create strong support for the short and medium-term trends of the market.

Chart 2 – Cycles of VN-Index according to Raymond A. Merriman method

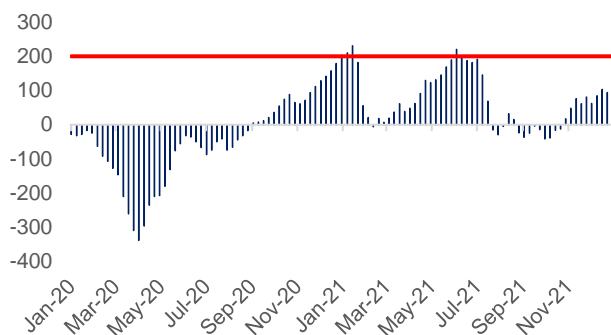


Source: FPT S

3. Market sentiment remains positive but tends to fluctuate widely

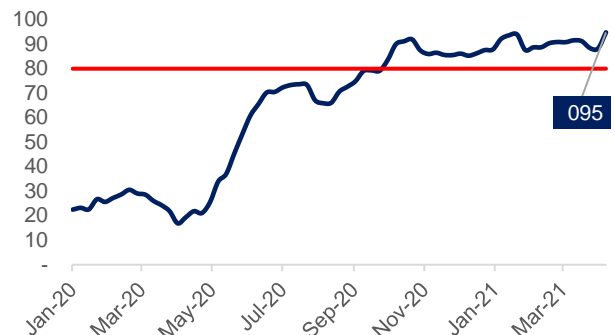
The VN-Index's Greed/Fear Index, after the bottom of March 2020, formed a strong uptrend and approached the high value of the first quarter of 2018. However, since the fourth quarter of 2020, this indicator has moved sideways in a wide range (0-200). In 2021, sharp declines in the index are often associated with the "Wave of Covid-19". This signal shows that the market's sensitivity to bad news about the pandemic remains at a very high level, especially after the climax of the short-term uptrend.

Figure 14 – Greed/Fear Index of HSX



Source: Bloomberg, FPTs compilation

Figure 15 – High Low Index of HSX



Source: Bloomberg, FPTs compilation

In 2022, the possibility of new waves of covid and virus mutations will still be a risk factor for investment sentiment in the market. The Greed/Fear Index is currently recovering in a positive direction but the arrival of negative news could lead to short-term sell-offs, as happened in January and July 2021. The average expected volatility for short-term technical corrections is estimated at 10-15%, based on the most recent bullish phase.

Regarding the High Low Index, we also see a risk on the long-term trend when the excitement continues to stay high at the 80 -100 value area. Although there is no divergence signal yet, the market may be hiding the possibility of a correction on the medium and long-term trend.

4. Investment recommendation

We forecast that the Vietnamese stock market will continue to maintain an uptrend in the first half of 2022. The VNIndex will probably approach the target of 1,800 points in the second quarter of 2022 and market liquidity will slightly increase 10-15% compared to 2021. According to technical analysis, MA 20 & MA 60 will continue to act as dynamic supports for the uptrend. However, signs of divergence between money flow indicators and the VN-Index, appearing since November 2021, will need to be noted.

In the second half of 2022, investors will need to be more cautious with the possibility of market reversal signals. In the event of a correction, the 20-week MA & 60-week MA may act as a signal to confirm the trend reversal of the VN-Index.

We also warn about the downside risk of stocks in the small and mid-cap groups, which have increased sharply in late 2021. High valuations and poor business results may lead to strong selling pressure when the money flow changes to prepare for a new market cycle.

Stocks, which are expected to benefit from macro/industry recovery policies and have a cumulative price pattern in the fourth quarter of 2021, are expected to benefit from the trend following strategy. The accumulation phase is a good condition for "creating new upward momentum". The shift of speculative cash flow to these stocks will support the trend of the VN-Index

Factors that can positively affect market trends and suggest investment ideas for 2022:

- Economic stimulus policies related to public investment and interest rate support for businesses.

- The prospect of the new stock trading system KRX and the central counterparty clearing system (CCP) will allow for short positions and T+0 trading. This will help unblock the bottleneck in upgrading Vietnam's stock market to Emerging Markets status.
- The equitization plan under Decision No. 26/2019/QD-TTg will be implemented with large companies such as Vietnam Bank for Agriculture and Rural Development; Vietnam National Coal - Mineral Industries holding corporation limited, Vietnam national Cement Corporation (VICEM); Vietnam Posts and Telecommunications Group; MobiFone Telecommunication Corporation....

Factors that can negatively affect the trend and need to be watched carefully will include:

- The upcoming QE tapering and the Fed's forecast of rising interest rates.
- The segmentation of sector groups based on business prospects.

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