

## Bloomberg: Vietnam Stock Bulls Keep Faith as Fresh Virus Wave Raises Alarm

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By Nguyen Kieu Giang

(Bloomberg) -- Vietnam's stock market is showing resilience after a fresh virus outbreak toward the end of July dealt a rude shock to investors.

The nation's benchmark equity gauge has jumped 5.2% in just four days, after losing more than 8% in the previous two weeks as the flare-up challenged the perception that Vietnam had successfully controlled the spread of the coronavirus.

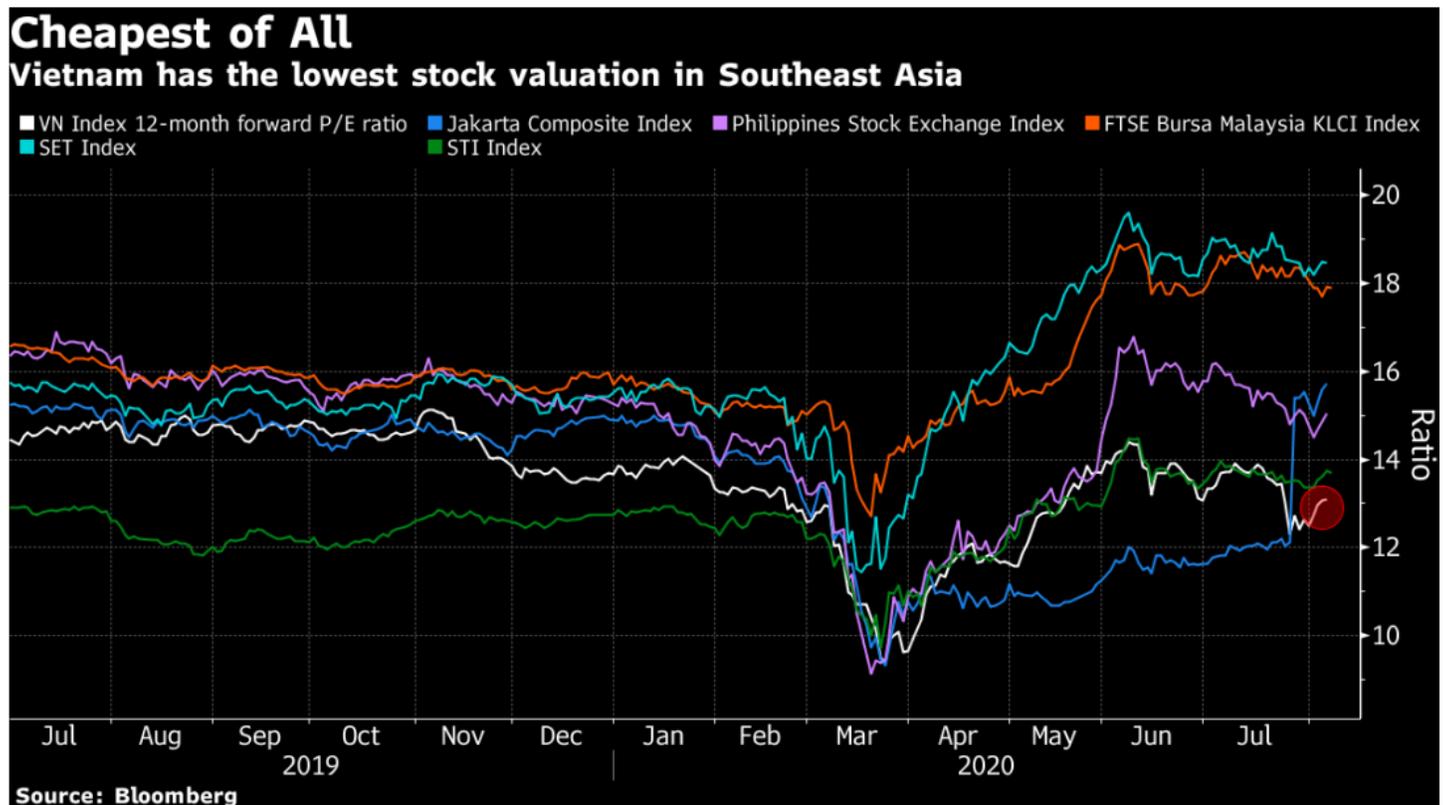
But while its resurgence could be a speed bump to an economic recovery, Vietnam stocks seem to have a lot going for them. Money managers are citing attractive valuations, solid economic prospects and foreign-direct investment flows as reasons to be optimistic, while also showing faith in the government's ability to curb the second virus wave.

"I am very positive despite the second wave," said Toshifumi Sugimoto, chairman of Capital Asset Management Co. in Tokyo.

Here are three charts showcasing the optimism:

### 'Great Time to Buy'

At about 13 times their forward 12-month estimated earnings, stocks in the VN Index have the cheapest valuation when compared with other benchmark equity gauges in Southeast Asian markets. For example, Thailand's SET Index has a multiple of about 18 while the Philippine gauge is trading at about 15 times.



Vietnamese stocks are "inexpensive," and retail investors were panic selling of late, ignoring fundamentals, said Sugimoto of Capital Asset, adding that the firm has 80% of its assets worth \$500 million invested in the nation's equities.

"This is a great time to buy."

## Best Economy

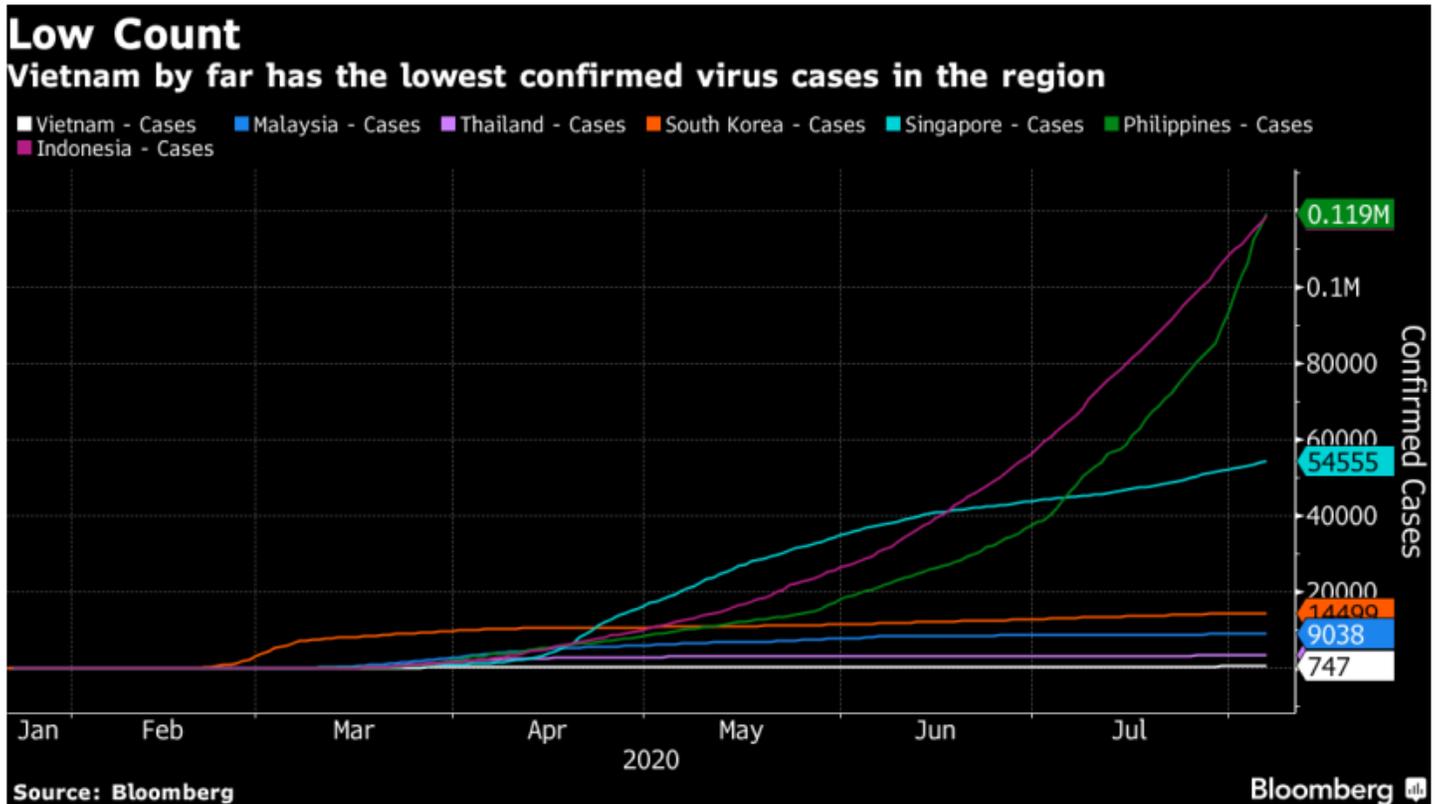
Vietnam's economy is forecast to grow 2.4% this year in what's seen as the best performance in Asia, according to median economist estimates in a Bloomberg survey. It is one among the only three Asian economies that are expected to see growth this year, while the rest of the region is likely to suffer full-year contractions amid the coronavirus pandemic.



Vietnam is one of the best long-term growth stories in Asia and any decline in share prices should be used to accumulate, HSBC Holdings' strategists led by Devendra Joshi wrote in a recent note.

## Virus Fight

Despite the recent outbreak, Vietnam's reported infection count of 747 as of Aug. 6 is by far the lowest in Southeast Asia. Investors are betting the country will be able to contain the second virus wave just like the first one. That's owing to the government's laser-like anti-virus focus, a one-party political system and a population that doesn't need too much convincing when it comes to restrictions, thanks to past disease outbreaks.



Even though the near-term outlook for stocks depends on how soon Vietnam can flatten the curve of the second wave, overall this will not change the long-term attractiveness of the market, said Ruchir Desai, a fund manager at Asia Frontier Capital Ltd. in Hong Kong.

“We continue to like the long-term domestically driven stories in the auto, modern retail and beverage sectors and also believe industrial park players can benefit from greater FDI flows into Vietnam,” Desai said.

--With assistance from Cynthia Li.

To contact the reporter on this story:

Nguyen Kieu Giang in Hanoi at [giang1@bloomberg.net](mailto:giang1@bloomberg.net)

To contact the editors responsible for this story:

Lianting Tu at [ltu4@bloomberg.net](mailto:ltu4@bloomberg.net)

Shikhar Balwani, Naoto Hosoda

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