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Frenzied Retail Investors Lead Charge Back Into Vietnam Stocks

- Country's market capitalization rose 70% in past year
- Retail investors piling in helped stocks turnover quadruple

By Nguyen Kieu Giang

(Bloomberg) -- Individual investors are piling into Vietnam stocks at an unprecedented pace, fueling Asia's biggest rally and stoking speculation that foreign funds will return after fleeing the market over the past year.

The country's benchmark VN Index soared 17% in the three months ended April 30, beating every major market in the region and almost doubling gains from the S&P 500 Index.

While foreign investors pulled about \$842 million from the Southeast Asian country's shares so far this year, the tide could be turning. Vietnam equity funds received record inflows in the third week of April even as emerging-market equity funds saw the biggest outflows since January, according to EPFR. A key contributor was a new Taiwan-based Vietnam ETF that was on track to raise more than \$300 million.

A sustained return by overseas investors could drive further gains in a market that -- like in many others around the world -- has attracted retail punters in droves. Plunging interest rates spurred ordinary Vietnamese to open nearly 400,000 new trading accounts in 2020, a record high. In the first three months of this year alone, they opened almost 258,000 more, helping send daily turnover on the Ho Chi Minh City Stock exchange to an all-time high.

"The stock market was very active and many of my friends were making money from it, so I decided to withdraw money from the bank to invest in stocks for a better return," said Nguyen Lan Huong, a 30-year-old grocery store worker from the riverside district of Long Bien in Hanoi.



The final catalyst for Vietnam could be if international investors reverse their net sales of the nation’s stocks. Vietnam’s retail investors normally model much of their investment behavior around foreign investors when they look for which sectors to favor, according to SSI Securities JSC, the country’s second-largest brokerage.

Taiwanese Recall Own Growth Story as They Flock to Vietnam ETF

Bulking Up

Vietnam is an “investable market,” according to HSBC Holdings Plc. The flood of local cash has seen trading volumes more than quadruple since the end of 2019, based on 50-day moving averages. The benchmark index now includes 11 stocks exceeding \$5 billion in market value, up from just two in 2015. Vingroup JSC has been leading the charge, and the conglomerate is now launching an ambitious plan to sell electric vehicles to the U.S. Vingroup was founded by the country’s richest man, Pham Nhat Vuong, who first got rich selling packaged noodles in Ukraine. The company started out focusing on property development but it now also makes cars and smartphones.

For more on Vingroup: Vietnam’s Richest Man Plans Electric Car Factory in the U.S.

The stock exchange’s other heavy hitters include a smattering of state-backed behemoths -- Bank for Foreign Trade of Vietnam, PetroVietnam Gas JSC -- as well as steelmaker Hoa Phat Group JSC and Vietnam Dairy Products JSC.

Vietnam’s stocks are climbing amid optimism its export-oriented economy can maintain momentum after being one of the few in Asia to expand last year. The country is well positioned as the U.S. and Chinese economies lead a global rebound from the pandemic. That’s because Vietnam benefited when U.S.-China trade tensions spurred companies to diversify supply chains out of its larger Asian neighbor.

Apple’s Shifting Supply Chain Creates Boomtowns in Rural Vietnam

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“We’ve been positive on Vietnam for a number of years. They are a clear beneficiary of China–U.S. trade tensions and their handling of the pandemic has been among the best examples globally,” said Jeff Gill, who helped manage about \$10.9 billion of assets at City of London Investment Management as of Dec. 31.

Waiting Room

Part of the problem may be that international investors overstretched when they splurged. Foreigners sold a net \$876 million of Vietnamese stocks last year, similar to what’s been already sold so far this year. That’s in line with a wave of selling across Asian emerging markets. Those moves look to have simply swelled foreigners’ cash positions inside Vietnam, which are already substantially higher now than they were at the end of 2020, according to Vu Bang, former chairman of the State Securities Commission.

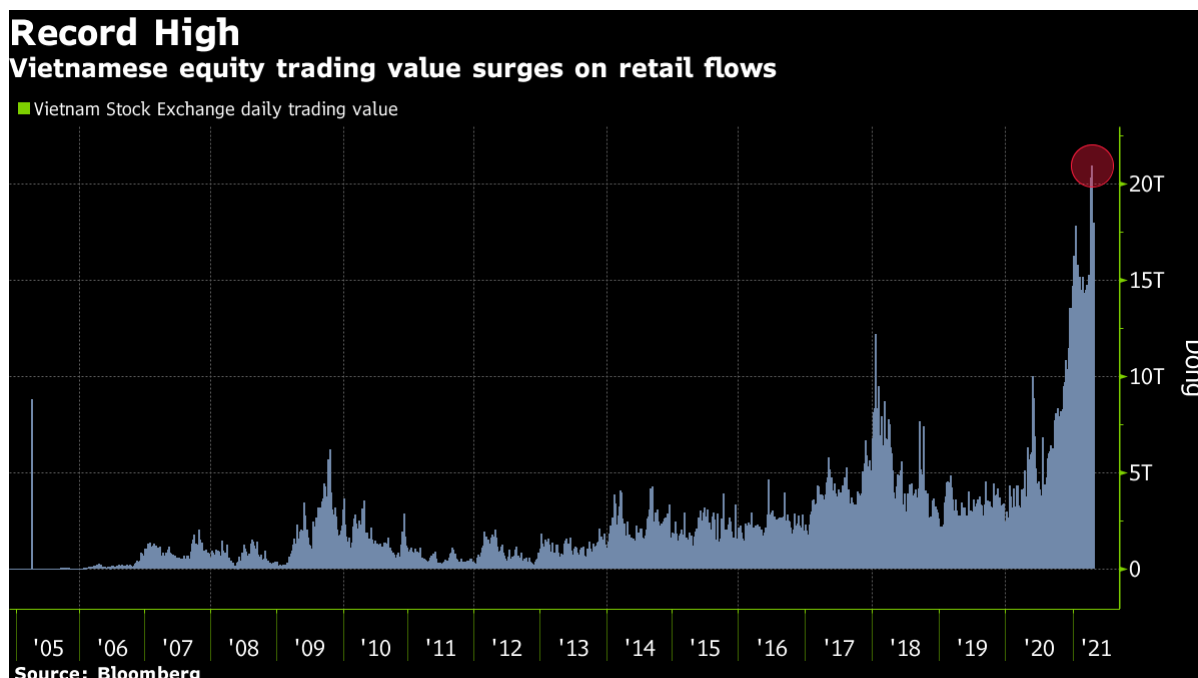


Vietnam’s stocks also faced a setback in March when FTSE Russell decided to maintain the country as a frontier market, instead of upgrading it to a secondary emerging market, citing settlement methodology issues. The State Securities Commission expects to resolve the issue later this year. Investors have also cited foreign ownership limits as a concern that could hamstring the market’s capacity to grow further.

Money managers from Sempione Sim SpA, to Asia Frontier Capital and City of London Investment Management Co. say they are busy looking for entry points. They cite solid economic prospects, relatively attractive valuations, rising foreign–direct investment flows and healthy earnings growth as reasons to be optimistic, while also showing faith in the government’s ability to contain the pandemic.

“I see Vietnam as a very nice compelling growth and stable story for the short, mid and long term,” said Federico Parenti, a fund manager at Sempione Sim in Milan.

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Vietnamese like Quy, a 33-year-old swimming teacher, are all too willing to keep investing in the nation’s stocks. He never thought of buying shares until the pandemic kept on shutting down the pool where the Hanoi resident usually teaches his students, slashing his income. He used his entire savings at that time -- around 300 million dong (\$13,000) -- to buy stocks. He made about a 12% return last year.

“I am not a professional investor and I don’t have experience,” he said. Quy is considering some more short-term purchases. “I think I am just surfing the wave to make some money from the stock market.”

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