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Virus Flips High-Flyer Vietnam to World's Worst: Taking Stock

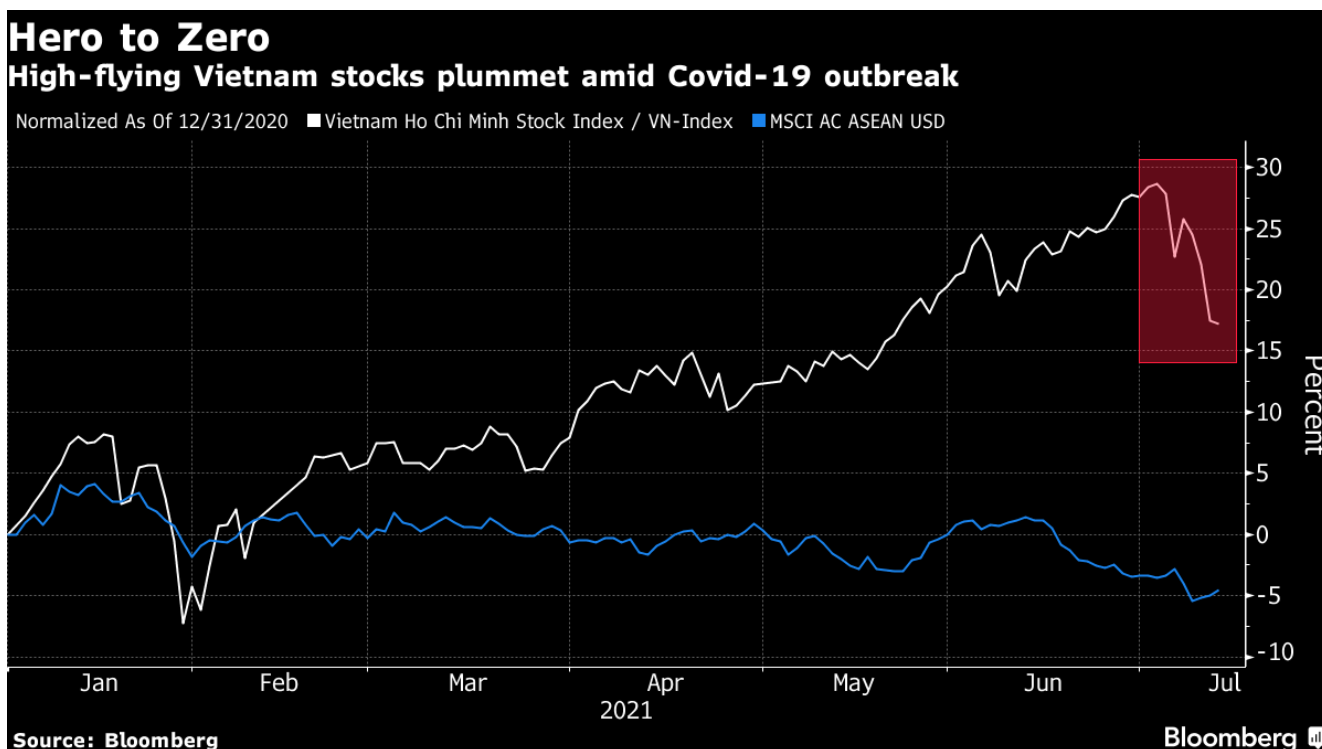
By Eric Lam

(Bloomberg) -- Vietnam, one of Asia's top equity markets in the first half of 2021, has turned into the world's worst performer amid a new wave of Covid-19 infections.

The VN Index has fallen almost 9% since hitting a record high on July 2, the most among 92 global benchmarks tracked by Bloomberg. It surged 28% in the first six months of the year, seven times the gain in the MSCI Asia Pacific Index.

The selloff in Vietnamese stocks comes as investors fret over the economic impact of the curbs put in place to control the virus outbreak. Authorities across the nation's south have issued movement restrictions, which follows last week's stay-home order in the commercial hub of Ho Chi Minh City.

Vietnam's Stock Benchmark Tanks as Nation Tightens Virus Curbs



"The current rise in cases and social distancing requirements is a trigger for some profit-taking by investors after a very strong run," said Ruchir Desai, a fund manager with Asia Frontier Capital.

The recent weakness follows a five-month rally fueled by frenzied buying by retail investors and optimism that Vietnam's export-oriented economy can maintain momentum after being one of the few in Asia to expand last year.

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The threat of more infectious strains including the delta variant has emerged as a growing concern for Asia, especially the Southeast Asian region, as multiple economies grapple with rising cases and a slow pace of vaccinations. The MSCI Asean Index tumbled to its lowest level since November earlier in July.

Indonesia, Southeast Asia's biggest economy, has been wracked by a particularly brutal wave of Covid-19, while Malaysia has lowered its growth outlook due to movement restrictions and Thailand has just stepped up measures.

If Vietnam's current wave of cases and restrictions continues "over the next few weeks, the risk to earnings and GDP growth will be to the downside," Desai said.

Vietnam's Overbought Stock Market Faces Risk of Retreat: Chart

Still, some investors continue to remain positive on Vietnamese equities.

"Strong earnings growth, positive EM sentiment, local liquidity and relatively attractive valuations should support the market," Devendra Joshi, a strategist at HSBC, wrote in a note on Tuesday. "The current COVID-19 wave is forecast to be under control by August and vaccinations are increasing at a faster pace."

Desai also sees Vietnam's long-term growth story intact, driven by its booming manufacturing sector and increasing foreign investment. His firm recently picked up shares of port operator Gemadept Corp. to leverage increasing trade opportunities in coming years, he said. The stock is up 22% this year.

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