02

WEDNESDAY

"It is not worth to bet on T+"

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- **It is not worth to bet on T+**
- **The future of the yuan after IMF decision and the inference for Vietnam exchange rate policy**
- **Q4/2015 prediction on 2 ETFs' portfolios**

A series of four consecutive decline sessions was interrupted by a positive session. VNIndex closed with an increase of 4 points to 574.42 while HNIndex up slightly to 80.54. Opposite to index movement, liquidity decreased 7.5%, with order-matching volume of 122.84 million shares. In which, FLC and HAG accounted for 16.6%. After seeing unbelievable volume in November, with total volume of 283 million shares, equivalent to VND2,341 billion, FLC has yet shown this volume momentum being stopped. After approaching the bottom, HAG saw a bullish session thanks to news relating to stock dividend payment by HNG shares as well as news relating to HAGL Myanmar to be in operation on 05/12/2015.

Foreign investors continued to net-sell VND132 billion on HSX and VND12 billion on HNX. So, the net sales value from this group accumulates to VND247 billion in the first 02 days of December. Adverse market developments compounded by concern on the imminent first FED rate hike since the last financial crisis could well justify foreign investors' cautious action recently. Therefore, we believe that foreign investors' behavior would only be clearer after all information from the FED meeting on Dec 17 and ETF rebalancing period end on Dec 18.

It is quite common that many stocks rebound after series of declines. For instant, a few investors started to buy in VN30 stocks as these ones have suffered sharp drops in many days. However, price fluctuations could not convince those who are fussy investors because the average difference between close and low price was quite insignificant, only 1.2%. Moreover, it is not the points or prices that we should watch at this moment but the liqudity itself should tell the story. Therefore, we come to a conclusion that today's move looks like a standard rebound in a downtrend.

Despite the fact that sellers have larger bargaining power in today session, too much risk for too few rewards are not worth to involve in short-term trading activities at current moment. Accumulate for mid and long-term profit is still recommended.

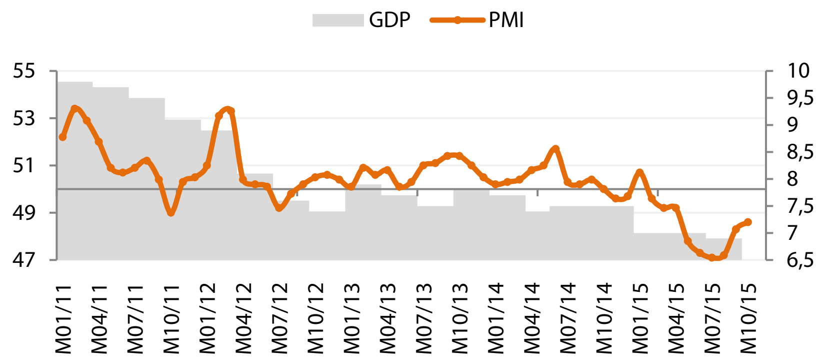
The future of the yuan after IMF decision and the inference for Vietnam exchange rate policy

As mentioned in yesterday's Advisory Diary, we want to share our view about China's current economic situation and its influence on RMB's power. It is easy to observe that the Chinese economy is slowing down via recent macroeconomic indicators, yet the decrease rate has been raising concerns.

In the previous period, the Chinese economy grew owing to investment and export activities. During early 2015, when the production sector's manufacturing index started to fall below 50 points, there was a rise in the precaution level of an economic stagnation. At the same time, China's export growth declined continuously, as the 10-month period recorded a negative growth (-2.5%) comparing to the same period last year. (Figure 1)

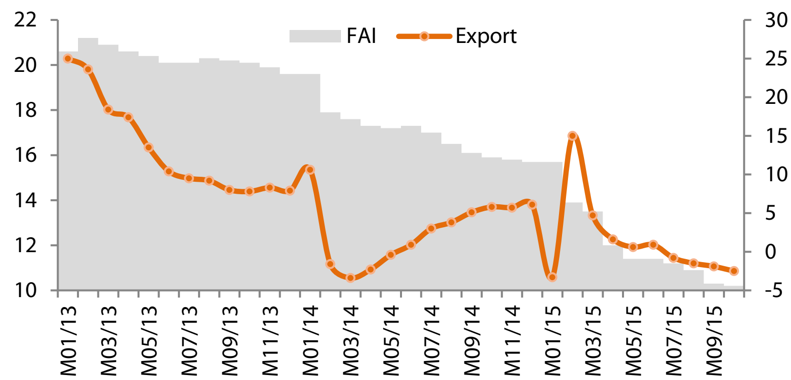
Not only Chinese manufacturing and export activities but also investment witnessed a serious decrease from a growth rate of 20% in 2013 to 15% in 2014 and the current rate is only 10% y.o.y. Past statistics show that China's growth depends greatly on investment (around 50%), thus upon looking at the plummeting rate of investment, it is unreasonable that Chinese quarterly economic growth rates only declined slightly. (Figure 2)

Figure 1: China GDP growth and Manufacturing PMI



Sources: Markit, NBS

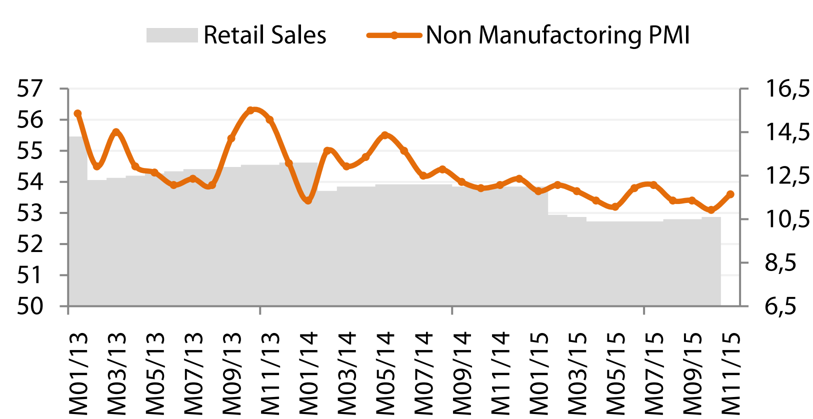
Figure 2: Fixed asset investment (FAI) and export growth



Source: NBS

In order to compensate for the dropping investment and production, the Chinese economy is making an effort to encourage domestic consumption. One of the benefits is that the service sector's PMI has been remaining more optimistic, besides goods and services retail growth has been showing a marginal upward trend in recent months (Figure 3). However, it could be insufficient to gain balance in a short time after the strong deterioration in investments and exports.

Figure 3: Retail Sales and Non-Manufacturing PMI



Source: NBS

The question would be how China will manage the deceleration coming from two sectors investment and exports while ensuring the growth of consumer sector. It should be noted that the change of the Chinese spending habits will take time, especially in the context of the existing deflation risk, this goal will be difficult to implement. Thus, will the 6.5% growth target in 2016 be feasible? Recent movements show that the policy makers are taking various measures to stimulate growth through monetary easing policy. The degree of interest rates/ reserve requirement ratio cut is little one time but with constant frequency, China has a strong will to pursue the growth target that is supposed to be ideal growth for this economy in a new development stage.

Currently, China 's economy has yet fully expose both the effectiveness and consequences of the continuously easing monetary policy. At the same time, many argues that the central bank will not stop cutting reserve requirement ratio, the consequences of this policy means there is a high probability that the yuan will depreciate further in the future. It is not to mention that FED is likely to start hiking rate this month, this makes a stronger dollar and put more pressure on the yuan.

Back to the yuan inclusion into the SDR basket of IMF at the beginning of December, despite achieving the goal of the yuan internationalization but there is a broad consensus that the route for the central banks restructured their reserved basket and investors switch to assets priced in yuan will not happen immediately. Therefore, it is not considered as an important factor reducing the level depreciation of the yuan in the near future. In short, we expect the yuan to depreciate gradually. We do not expect a big change by the belief that beside the desire to stimulate growth, stabilizing the macro-economic factors is still a priority for China policy makers.

Above analysis leads to an important implication for Vietnam exchange rate policy. We have witnessed stronger correlation between USD/VND and USD/CNY pairs after the fluctuation in August 2015. For next year 2016, State Bank of Vietnam would better get ready for CNY devaluation by setting up an expected depreciation margin to minimize risks for the economy as well as to help entities in Vietnam economy get well-prepared for their business plans.

Experts from financial institutions project CNY to USD shall fall in around 6.8 in 2016; hence, CNY is expected to depreciate for another 6.3%. As waiting for clearer movements after FED meeting, SBV so far has yet announced any guidance on exchange rate policy in 2016. Based on our research, we believe VND shall be slashed 3-4% in 2016. Detailed information on exchange rate will possibly be published in the beginning of next year. Foreign investors might as well assess risks and reward to step back into stock markets at that time after having turned to net selling recently.

Q4/2015 prediction on 2 ETFs' portfolios

Market Vectors Vietnam Index (VNM ETF)

- Deletion: IJC because of unsatisfactory liquidity requirement (daily trading value less than USD 0.2 million per day)

- Adding: HHS

FTSE Vietnam Index (FTSE ETF)

- Deletion: None

- Adding: NT2, HHS, SBT, PGD

(*)In addition, CII and HSG are qualified for the portfolios' review. However, since the two shares' FOLs are relatively less than these of the 4 newly added shares, they are not prioritized for adding.

Estimated long/short volumes

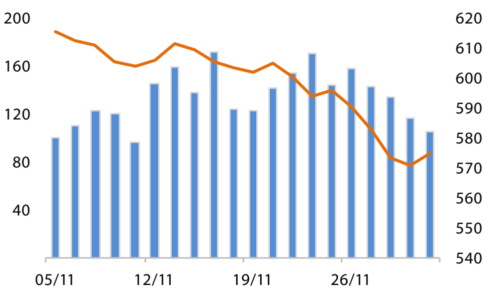
VNM		
No.	**Ticker**	**Estimated long/short volumes**
1	VIC	(490,332)
2	VCB	1,003,963
3	MSN	897,321
4	STB	3,319,333
5	BVH	(2,103,935)
6	DPM	1,038,099
7	HAG	9,981,606
8	NT2	(12,388,163)
9	PVS	3,368,776
10	ITA	11,236,111
11	PVD	(1,981,616)
12	FLC	(6,966,893)
13	SSI	8,609,300
14	SHB	(12,382,006)
15	KDC	7,302,646
16	PPC	(4,835,724)
17	KBC	(7,478,393)
18	PVT	(5,127,073)
19	VCG	(1,881,468)
20	**HHS**	**6,385,161**
	IJC	**(10,870,990)**
	Total	**(13,364,274)**

FTSE		
No.	**Ticker**	**Estimated long/short volumes**
1	VIC	(747,637)
2	MSN	2,713,973
3	HPG	(11,306,789)
4	VCB	7,825,488
5	SSI	6,364,275
6	PVD	(4,474,418)
7	STB	(12,710,360)
8	DPM	(5,714,215)
9	HAG	(9,173,193)
10	BVH	(756,176)
11	KDC	(3,500,434)
12	KBC	(3,734,412)
13	ITA	(10,621,716)
14	FLC	(1,889,067)
15	TTF	363,768
16	PVT	980,793
17	HVG	2,444,679
18	PDR	(799,848)
19	**NT2**	**4,121,717**
20	**HHS**	**9,894,841**
21	**SBT**	**7,008,703**
22	**PGD**	**2,452,268**
	Total	**(21,257,761)**

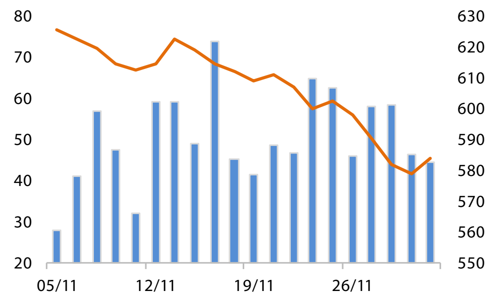
Company report: Pha Lai Thermal Power JSC (HSX – PPC)

RongViet Research publishes report on *Pha Lai Thermal Power JSC (HSX – PPC)*. Our valued investors may download the report ***here***.

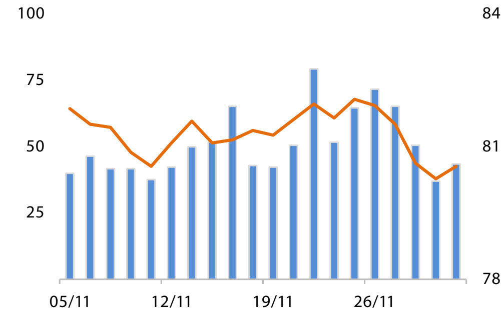
VNINDEX	0.70%	574.42



VN30	0.84%	583.94

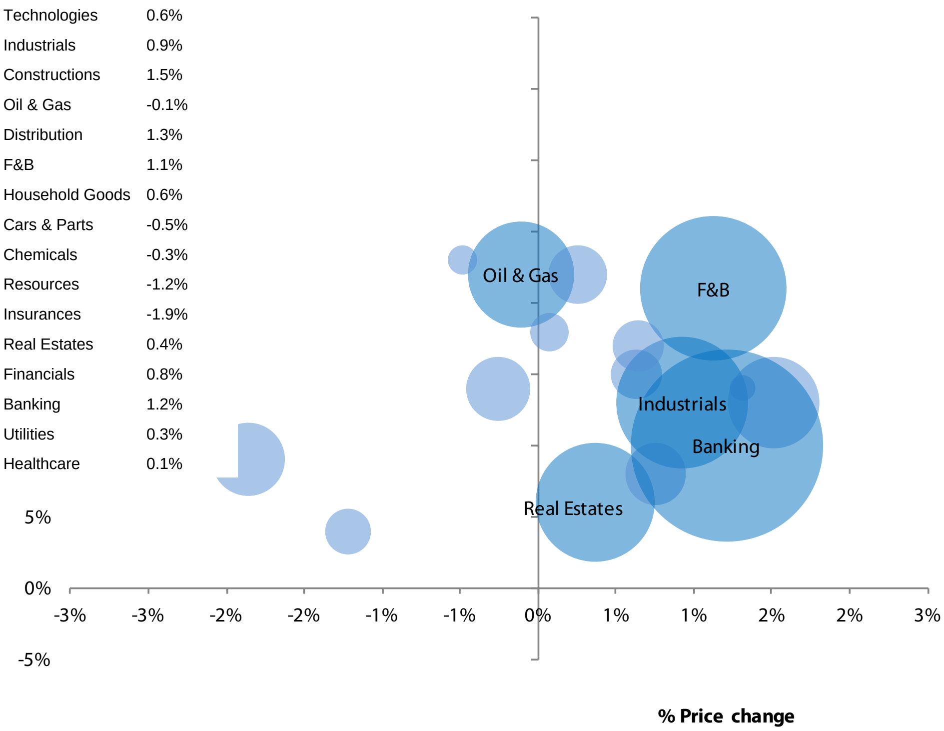


HNXINDEX	0.35%	80.54

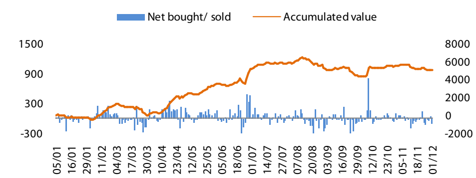


Industry Movement

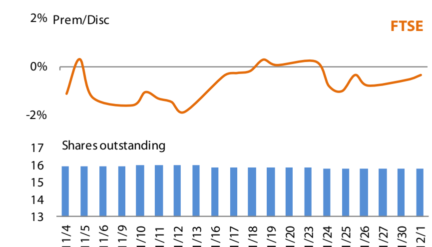
Industry	% change
Technologies	0.6%
Industrials	0.9%
Constructions	1.5%
Oil & Gas	-0.1%
Distribution	1.3%
F&B	1.1%
Household Goods	0.6%
Cars & Parts	-0.5%
Chemicals	-0.3%
Resources	-1.2%
Insurances	-1.9%
Real Estates	0.4%
Financials	0.8%
Banking	1.2%
Utilities	0.3%
Healthcare	0.1%

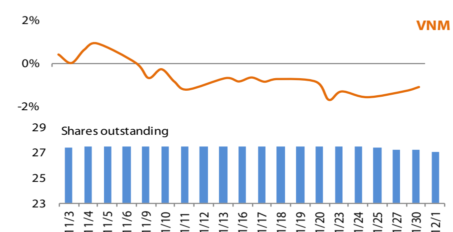


Foreign Investors Trading



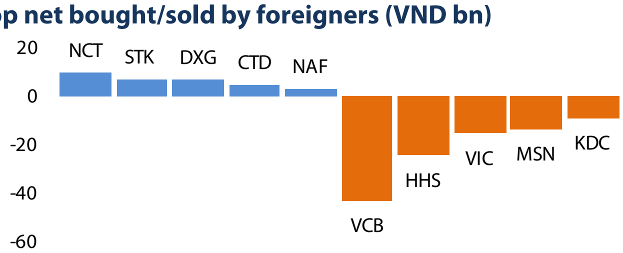
ETF



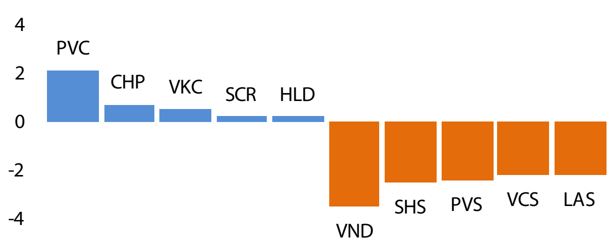


Top net bought/sold by foreigners (VND bn)

HSX



HNX



Top Active

Ticker	Price	Volume	% price change
FLC	8.4	10.53	5.0%
HAG	12.6	9.85	5.0%
OGC	3.9	6.91	2.6%
HHS	15.8	4.63	1.3%
ITA	6.2	3.83	3.3%

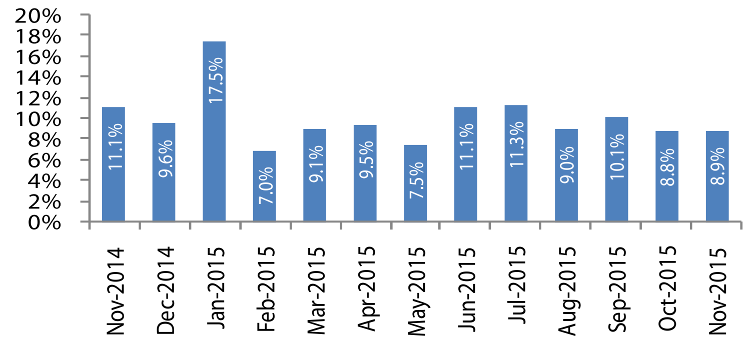
Ticker	Price	Volume	% price change
KLF	4.8	4.86	4.3%
SHB	6.6	2.95	0.0%
HBS	4.3	2.76	2.4%
PVX	3.2	1.75	3.2%
SCR	8.4	1.75	0.0%

MACRO WATCH

Graph 1: GDP Growth

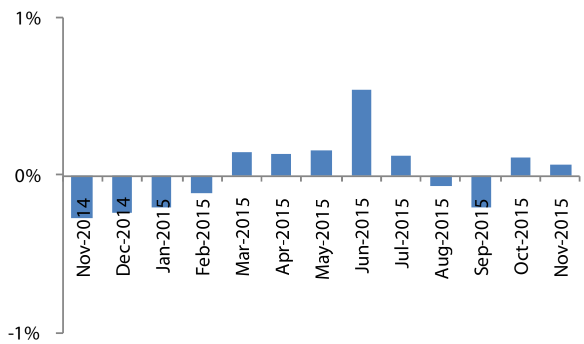
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



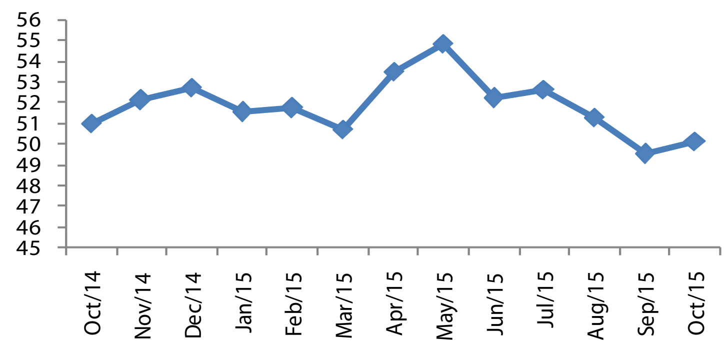
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



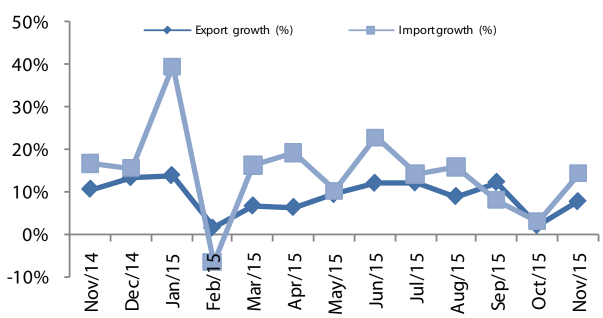
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



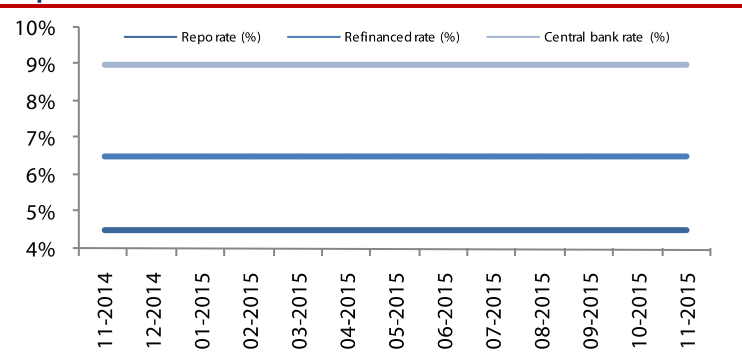
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
LHG - In the right time, in the right place	November 17th, 2015	Buy – Long term	25,700
DRC - Expecting on replacement segment	November 13th, 2015	Accumulate – Long term	52,000
NKG- Capital ravels to be untangled	November 6th, 2015	Neutral – Intermediate term	17,400
DMC - Restructuring sparks positive changes	October 30th, 2015	Accumulate – Intermediate term	49,000
HSG - New investments: The engine of growth	October 29th, 2015	Accumulate – Long term	52,500

Please find more information at http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	17/11/2015	0% - 0.75%	0% - 2.5%	12,109	12,099	0.08%
VEOF	17/11/2015	0% - 0.75%	0% - 2.5%	10,276	10,663	0.59%
VF1	25/11/2015	0.2% - 1%	0.5%-1.5%	23,903	23,764	0.59%
VF4	25/11/2015	0.2% - 1%	0%-1.5%	10,847	10,768	0.74%
VFA	19/11/2015	0.2% - 1%	0%-1.5%	7,429	7,418	0.15%
VFB	19/11/2015	0.3% - 0.6%	0%-1%	12,523	12,506	0.14%
ENF	20/11/2015	0% - 3%	0%	12,225	12,156	0.57%
MBVF	19/11/2015	1%	0%-1%	10,740	10,902	-01.49%
MBBF	18/11/2015	0%-0.5%	0%-1%	12,494	12,485	0.07%

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