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22

TUESDAY

ADVISORY DIARY

- **TPP meeting schedule and forecasts from ADB about Vietnam economic made the markets to be more active**
- **Race for production in galvanized sector**

"Race for production in galvanized sector"

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TPP meeting schedule and forecasts from ADB about Vietnam economic made the markets to be more active

Ending today trading session of 22/09/2015, markets experienced the third consecutive increasing day with VNIndex and HNXIndex respectively achieving 573.2 (+0.19%) and 78.35 (+0.36%). Remarkably, today markets have the most active trading session since early 9/2015 if we exclude 18/09 with the surge of liquidity from ETF. HSX's liquidity had the slight improvement with total trading value and volume raised by 10.86% and 7.33% compared to yesterday.

However, there could be the hesitation from investors' sentiment when the breadth of the markets which is located among increase and decrease stocks has been quite stable. It could also be observed from the activities of foreign investors when the total net-selling value only achieved VND 27.14 billion in both markets. Over three fourth of 9/2015 has passed and the total volume and buy-sell value from HSX regarding foreign investors could only reached 62% of 8/2015.

The tug of war issue since earlier 9/2015 with the glooming trading atmosphere could be the consequence of the expectation in short-term and intermediate that have not been met when (1) the plan toward TPP continuously faces the barrels and delays with the chance to be success could not happened this year while (2) the circular about room expansion was announced but did not provide enough information as expectation.

During the end of September and early October, TPP continues to host meetings to achieve the ultimate goals which are the commercial deal between 11 countries. However, when the expectation has not been met, the reticence could still exist even with the most optimistic investors. Therefore, according to market analyst from Rongviet Research, when the related information comes back bringing hope and positivity, the impact on the market could not be as significant as before.

Schedule for upcoming TPP meetings

Sources: Rongviet Research

On the other hand, "long-term" information such as FED and macro factors has been assessed to have certain influence on Vietnam market. In the updated Asian development outlook 2015 from ADB, Vietnam is one of the rare countries to have a positive prospect of economic growth. According to ADB, Asian economies have faces several challenges (1) the delayed recovery even with leading countries such as China and US, (2) low commodities' prices and the devaluation of Yuan lead to the change of deflation, (3) the reversed capital since 2014 and the additional USD 125 billion USD in Q1/2015 with (4) the monetary policies are in front of two paths: financial stability and boosting demand.

However, ADB assesses Vietnam economic is still having opportunities for stronger growth when expansion is quite fast in manufacturing, construction and natural resources sectors. Economic growth in 2015 is adjusted to 6.5% thanks to proliferation of private consumption, exports and foreign investment. Economic growth in 2016 is also adjusted from 6.2% to 6.6% after considering about fiscal policy, which could be tightened and influenced from declining of China's economic growth. Over the remaining period of 9/2015, GDP-related information in Q3/2015 could be the supporting factors for the markets. However, in intermediate, this aspect could not been meaningful, the trading movements could create the opportunities for the investors to accumulate stocks that have optimistic business outlook during the second half of 2015.

Race for production in galvanized sector

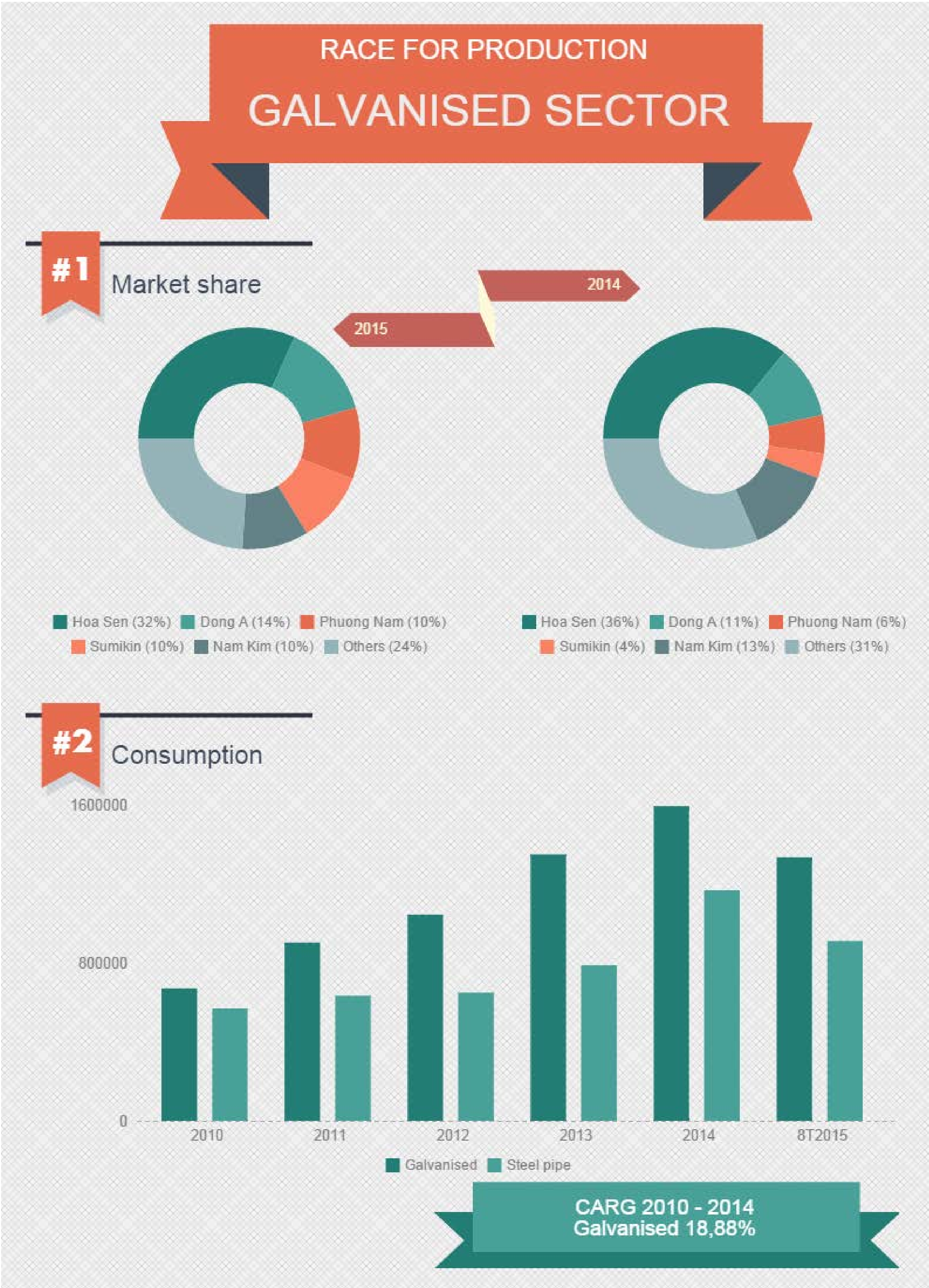
RongViet analyst would like to take this opportunity to give some sharing on the galvanized steel market in 3Q2015. Similar to previous years, sales of steel which saw a stall as the end of June has begun to pick up in the last 2 months. According to Vietnam steel association (VSA), August sales remained unchanged as to preceding months but still maintained a positive growth to last year's same period (14.6%). For the 8 months of 2015, total domestic steel sales of VSA members upped 16.3% (yoy), whereas export sales figure grew at a slower pace of 9.4% (yoy). So, domestic demand shows more robustness compared to foreign markets.

According to our analyst, market remains steady in September. Sales volumes of listed galvanized steel enterprises (HSG & NKG) expect to stay at a same level q-o-q. HSG said its GPM would be unchanged as input price (HRC) didn't volatile much and tended to decrease slightly. NKG also expects earning result to be equivalent to last quarter NPAT of VND45 billion. However, we think that results of two companies might slightly drop due to an increase in financial expenses. Moreover, administrative expenses of HSG are likely to escalate by 20% during the last quarter of its financial year.

In the short-term, a growing increase in demand as well as lowering input price led to the improvement in earning results' hot dip galvanized steel. Simultaneously, it can be seen that there are an operation expansion in this industry. HSG (the leader firm) as well as other firms including Dong A, Phuong Nam, Sumikin… have improved their capacities since 2nd Quarter, 2015. However, this trend will be continued as HSG had planned to invest in upcoming years. Although because of the demand recovery in 2015,, the more expansion capacity, the more extended market share, these concern us when observing the rate of progress of other firm in upcoming years.

According to VSA's forecast, demand for galvanized steel will crawl up 6-7% until 2020 (less than 15% compared to average demand in 2010-2015). Hence, upgrading the capacity must go along with ability to expand foreign markets and a lower profit margin. In long term, we have positive view for those who have: (1) financial strength for more investment, (2) growth prospect and ability to meet requirements of markets other than ASEAN and (3) ability supply for Northern regions, a very potential domestic market. Among listed firms, we highly appreciate HSG for achieving these 3 factors.

See infographic: Galvanized industry and a race to expand production



RACE FOR PRODUCTION
GALVANISED SECTOR
#1
Market share
2014
2015
Hoa Sen (32%) Dong A (14%) Phuong Nam (10%)
Sumikin (10%) Nam Kim (10%) Others (24%)
Hoa Sen (36%) Dong A (11%) Phuong Nam (6%)
Sumikin (4%) Nam Kim (13%) Others (31%)
#2
Consumption
1600000
800000
0
2010
2011
2012
2013
2014
8T2015
Galvanised
Steel pipe
CARG 2010 - 2014
Galvanised 18,88%

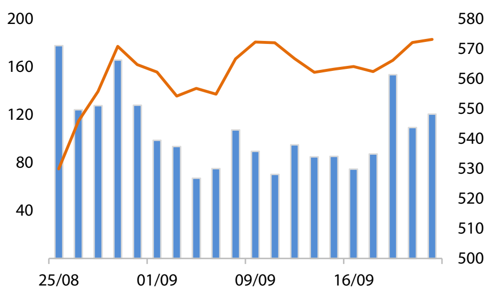
#3 HRC Price

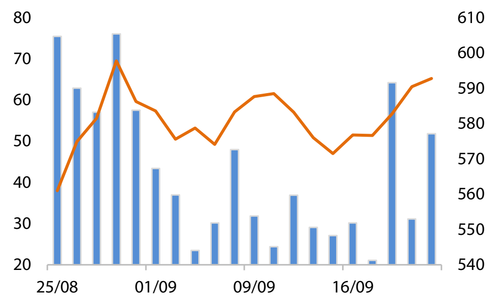
#4 Galvanised price

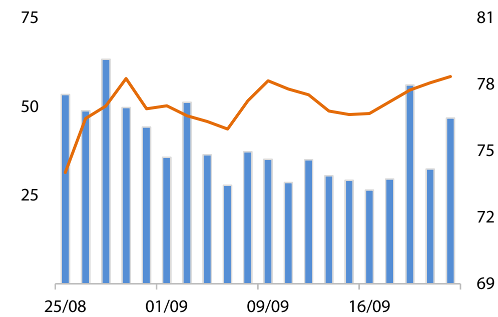
#5 Expansion

Sources: Rongviet Research

VNINDEX	0.19%	573.20	VN30	0.39%	592.78	HNXINDEX	0.36%	78.35

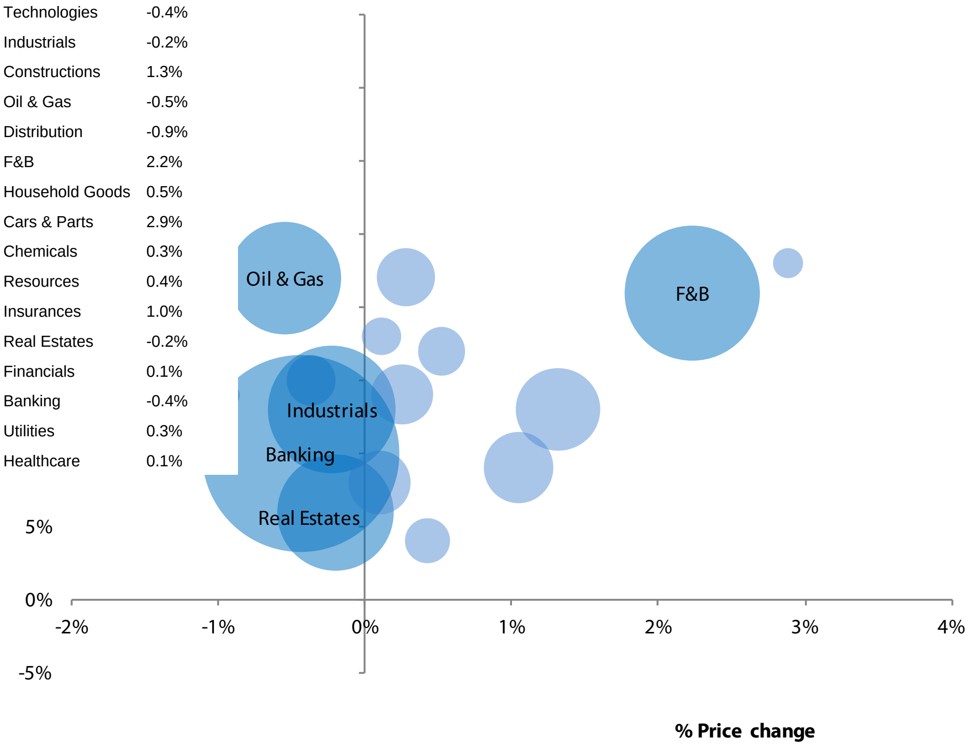




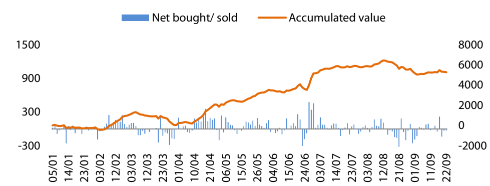


Industry Movement

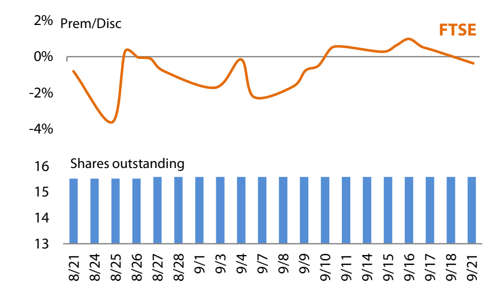
Industry	% change
Technologies	-0.4%
Industrials	-0.2%
Constructions	1.3%
Oil & Gas	-0.5%
Distribution	-0.9%
F&B	2.2%
Household Goods	0.5%
Cars & Parts	2.9%
Chemicals	0.3%
Resources	0.4%
Insurances	1.0%
Real Estates	-0.2%
Financials	0.1%
Banking	-0.4%
Utilities	0.3%
Healthcare	0.1%

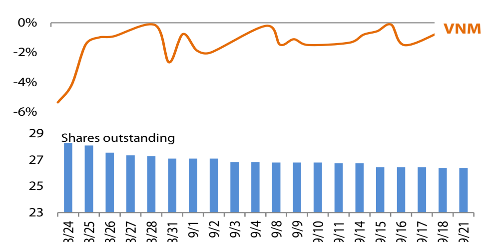


Foreign Investors Trading



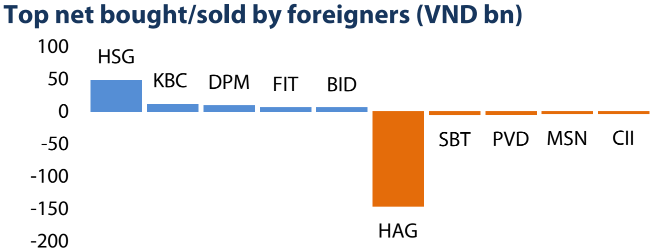
ETF



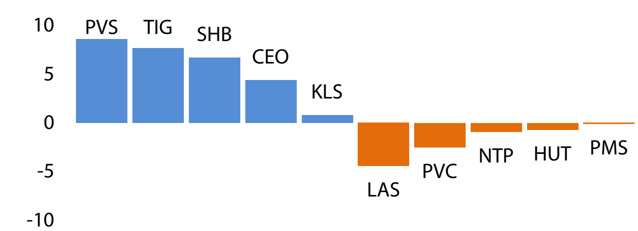


Top net bought/sold by foreigners (VND bn)

HSX



HNX



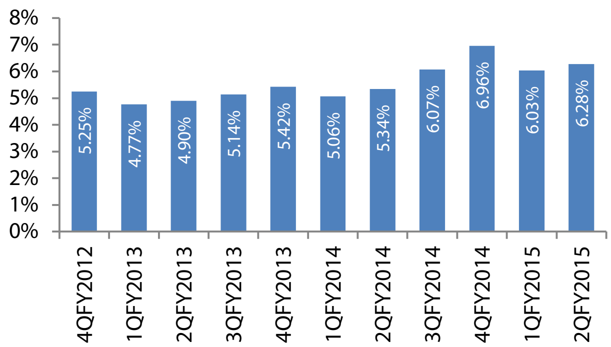
Top Active

Ticker	Price	Volume	% price change
VHG	8.1	8.46	-2.4%
MBB	15.2	4.90	-0.7%
FLC	6.8	3.91	1.5%
HAG	15.4	3.79	1.3%
HAI	6.0	3.67	1.7%

Ticker	Price	Volume	% price change
PVX	3.1	4.31	3.3%
VIX	8.2	3.17	5.1%
PVS	21.1	2.98	1.0%
TIG	10.9	2.92	0.9%
SHB	7.0	2.84	1.4%

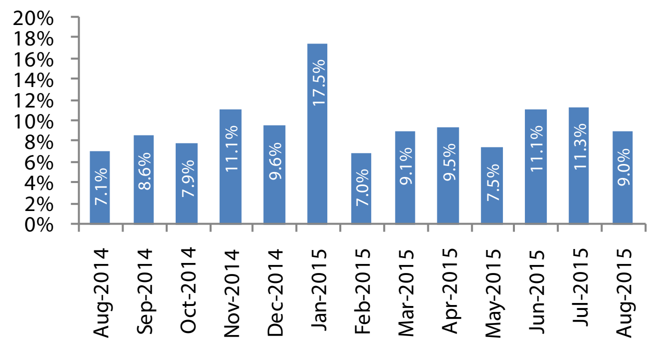
MACRO WATCH

Graph 1: GDP Growth



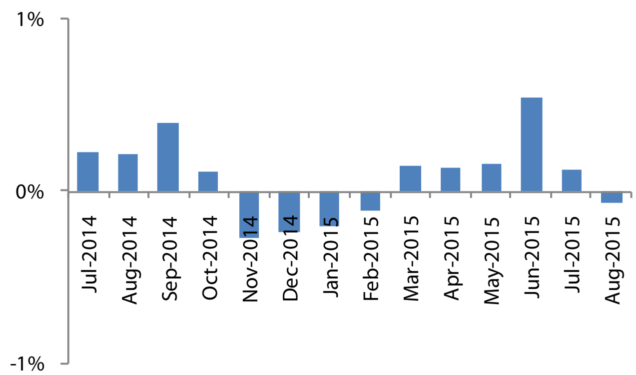
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



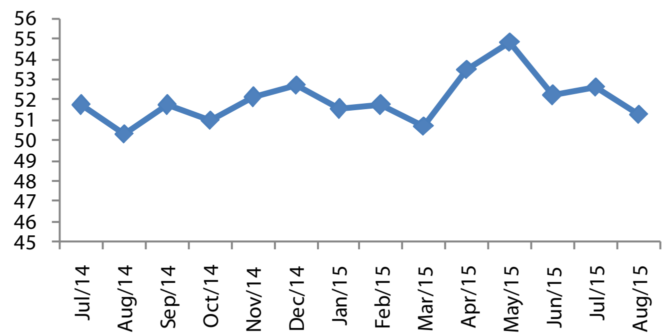
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



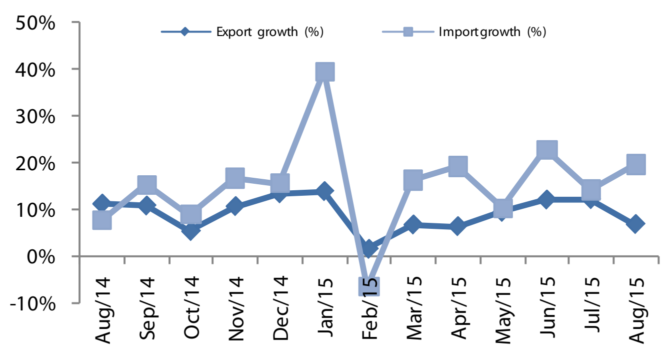
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



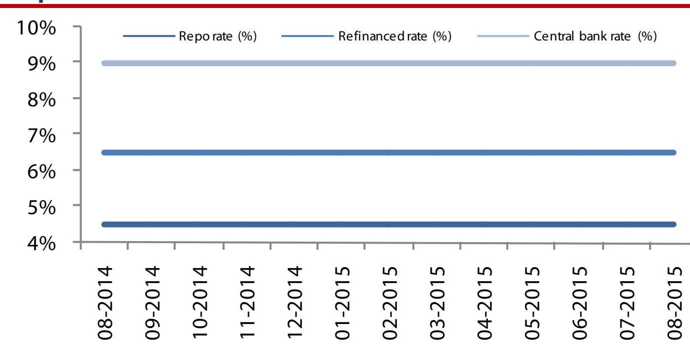
Sources: GSO. Rongviet Securities database

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
PXS - Invest to strengthen construction capacity	Sept, 4th 2015	Accumulate - Intermediate	17,000
SHP - Positive over long-term	Sept, 3rd 2015	Accumulate - Intermediate	20,800
PET - Tracking the progress of Thanh Da land plot transfer	Aug, 20th 2015	Stable	N/a
VNC - Embrace the new wave of international commerce	Aug, 14th 2015	Neutral – Long term	28,900
MAC – Bigger Propellers, further waters	Aug, 7th 2015	Buy – Long term	17,600

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	08/09/2015	0% - 0.75%	0% - 2.5%	11,844	11,861	-0.14%
VEOF	08/09/2015	0% - 0.75%	0% - 2.5%	9,791	9,874	-0.84%
VF1	11/09/2015	0.2% - 1%	0.5%-1.5%	22,509	22,496	0.06%
VF4	11/09/2015	0.2% - 1%	0%-1.5%	10,037	10,024	0.12%
VFA	11/09/2015	0.2% - 1%	0%-1.5%	7,100	7,032	0.97%
VFB	11/09/2015	0.3% - 0.6%	0%-1%	12,313	12,303	0.08%
ENF	04/09/2015	0% - 3%	0%	11,207	11,297	-0.80%
MBVF	27/08/2015	1%	0%-1%	10,416	10,364	0.50%
MBBF	03/09/2015	0%-0.5%	0%-1%	12,328	12,304	0.20%

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