05/07/2019

Investment Strategy July 2019

SHORT-TERM OPPORTUNITIES IN EARNINGS SEASON!

Even though pressures of inflation and exchange rate are low, core inflation is toward 2%, which is the Government's threshold. Thus, we think money supply growth in 2H2019 is hard to increase sharply, impacting indirectly on capital flow to Vietnam stock market. Additionally, attractive from corporate bonds, real estates, and gold cause capital flow to diverge.

We suppose that capital flow from outside will be influenced by both Vietnam and global macroeconomics factor:

- ✓ *Macro indicators such PMI and IPI show that Vietnam economic growth will stablize, but beyond its peak. Vietnam's economic growth is still in-line with Gorverment's target, 6.6-6.8% YoY.*
- ✓ *Meanwhile, external risks still exist. Although, risk of the trade war between US and China has declined as they reached a truce and agreed to renegotia, there is no strong signal of trade deal will be reached soon. Compromise from both sides is needed, if not the truce status will not last long. Thus, even though ETF fund flow has rebounced strongly in June, we do not think it can remain as it is in the beginning of the year.*

  Investors also should pay closely attention to Fed' meeting in late July as it will directly impact offshore fund flows and stock market globally. In addition, global stock markets and US stock market has priced in a rate cut from Fed at the end of July. Therefore, if Fed does not act as market expectation, stock markets will go down. Contrarily, global stock market, generally, and VNIndex, particularly, will react positively; and offshore fund flows to Vietnam will continue.

Thus, even though ETF fund flow has rebounced strongly in June, we do not think it can remain as it is in the beginning of the year.

In short, we think Vietnam stock market is not attractive enough to cash flow in July. However, we expect market perform better than its permance in June because of (1) external risk has reduced; and (2) earning season is about to start. Based on our collection from analyst' views, 2Q and 6M's earnings will be divergent. Earnings of some stocks in leading sectors (banking) and benefited sectors from trade war (textiles, wooden furnishtured sectors) is expected to be postivie.

We suppose a better performance in July compared to June's. Our range for VNIndex is 940-985.

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Please see penultimate page for additional important disclosure

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The relationship between VNIndex and Vietnam 5 year CDS has loosened since the beginning of 2019. Vietnam 5 year CDS has declined to 5-year low, but VNIndex still cannot reach to 1,000. As we mention above, external risks causing the weak capital flow from offshore weighs on market sentiment. Externals risks has reduced after June as US and China agree to renegotiate and the readiness of Fed to cut rate this year. Given that Vietnam 5Y CDS has been decreasing, ETF fund flow has bounced back and foreign ivestors has turned to net buy since June, we expect a positive scenario for the Vietnam stock market in the short-term.

However, external risks remain until US and China reach a deal and Fed announces a rate cut. Stablity of Vietnam economy is one of the main reasons for us to set a higher range for Index in July than in June. Sectors benefit from free trade agreement and/or post a positive earnings result during the earnings season will provide opportunities.

Based on collection from analyst's view, 2Q and 6M's earning will be divergent. However, we believe that there are seletively stocks which will have positive performance in sectors like retail, banking, automotive retail, and fishery.

Vietnam is a one of the first pick for the strategy of "China plus one" of many corporations and comglomerates due to downside risk of the trade war and low-cost advantage of China has reduced gradually. The movement of FDI into Vietnam is still ongoing. Registered FDI reached USD 10.3 Bn, a 36% decrease YoY. The reason was that there were two projects in real estate and casino in June 2018. The 6M registered FDI was about the same last year period if we exclude those two. Manufacturing continued to contribute the most (71% of total registered FDI). Regarding to free trade agreement, Vietnam and European Commisions has signed EVFTA on June 30. However, we suppose that the agreement will go into effect no sooner than 2020 because:

- *The EVFTA needs to be passed by European Parliament.*
- *Vietnam Assembly aslo needs to pass the agreement in late October meeting.*

We suppose that Sea port, industrial real estate, wooden and furnishture, textile and fishery (shrimp) sectors will benefit in this trend.

Analysis of 55 stocks of Rong Viet Research, discussion with companies and specific evaluation in the "Company Report" or "Analyst Pinboard"

More and more central banks loosen their monetary policies

According to Reuter' data, more and more central banks in 37 emerging markets[1] (EM) decided to cut down the policy interest rates. In recent 5 months, the number of decreases has continuously overcome that of increases. We note that the Figure 1 do not include countries exploiting non-interest rate policies, especially drops of RRR, to lessen the financial condition.

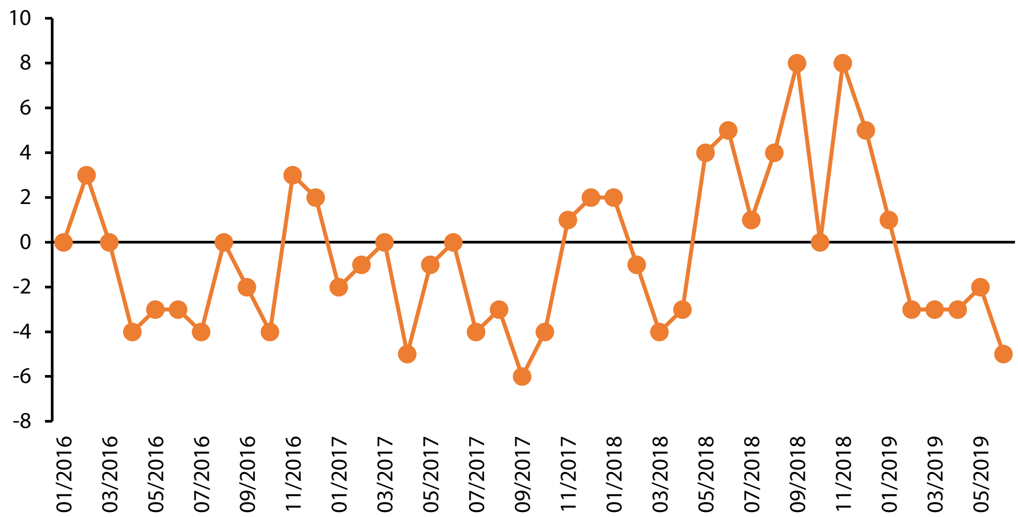
In addition, Australia has joined the group of developed countries that reduce interest rates. In the last meeting, Australia's central bank decided to step down its policy rate to the lowest point, 1%/year, for the second time in this month. Besides, the government is determined to issue a tax reform program that is intentionally to add USD 100 billion to their citizen's wealth in the next decade, especially middle-income earners. Australia targets at diminishing the unemployment rate to 4.5% from 5% and pushing domestic consumption up.

In the US, investors are betting on that FED will erase its interest rate several dozen points in 2H2019. Although FED's chairman declared that a 50 bps decrease is, in July, "overdone", the bank do not deny the possibility of changes in interest rates in the case of weakened economic growth.

Overall, the dovish views are denominating which is in contrast to what happened in 2H2018. A lower GDP growth caused by slow-down manufacturing and trade is the main reason. IHS's survey proved that manufacturing industry in global hubs like China, Japan and Germany sharply dropped and stood at the contraction territory.

However, policymakers in Vietnam pay more attention to the decision of big central banks, especially FED, ECB and BOJ. All of them know the issue of limited monetary policy room in the case of more serious downturn as well as that the policy should be used as a backstop rather than a spearhead of a strategy to induce a sustainable economic growth. Therefore, it is hard for FED to rush into the hell before one's father.

Figure 1: The gap between the number of interest rate increases and decreases

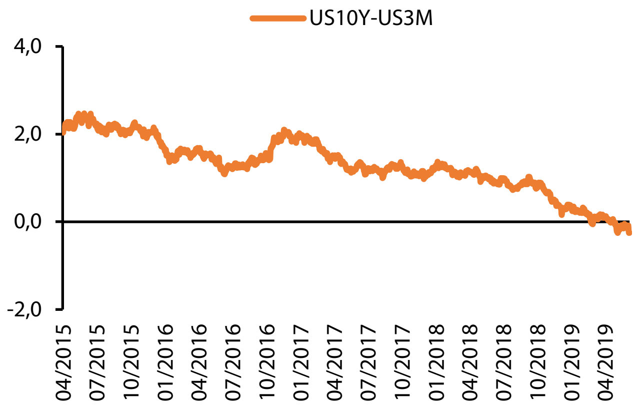


Source: Reuter, Rong Viet Securities

Note 1: *Emerging markets include Azerbaijan, Belarus, Brazil, Bulgaria, Chile, China ex-Hong Kong and Macau, Colombia, Costa Rica, Czech Republic, Egypt, Georgia, Hungary, India, Indonesia, Iraq, Ivory Coast, Jordan, Malaysia, Mexico, Morocco, Namibia, Nigeria, Pakistan, Peru, Philippines, Poland, Qatar, Romania, Russia, Serbia, South Africa, South Korea, Sri Lanka, Taiwan, Thailand, Turkey, and Ukraine.*

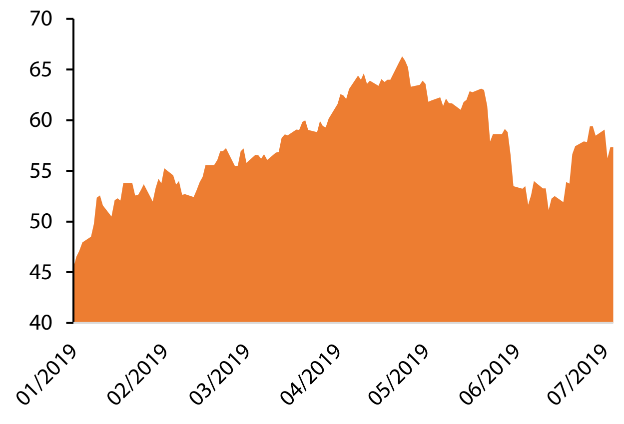
GLOBAL ECONOMIC INDICATORS IN JUNE

US Government bond yield gap (%/year)



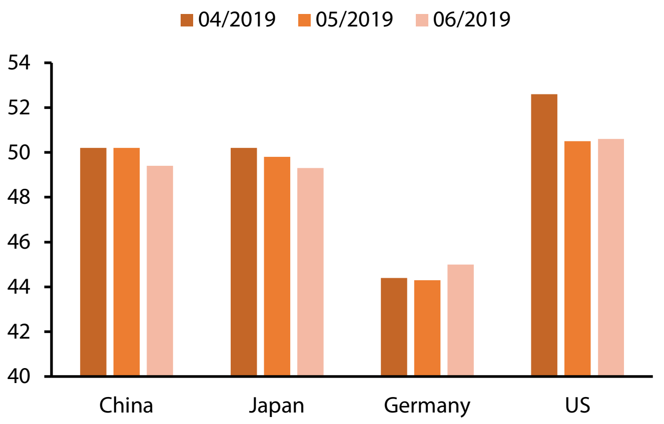
Source: Bloomberg, Rong Viet Securities

WTI crude oil (USD/barrel)



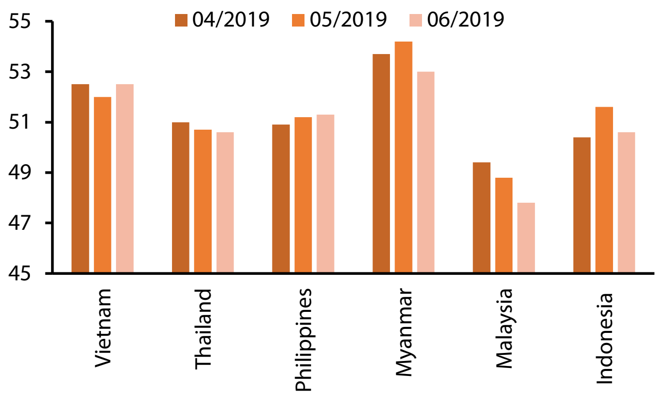
Source: Bloomberg, Rong Viet Securities

Developed countries' PMI



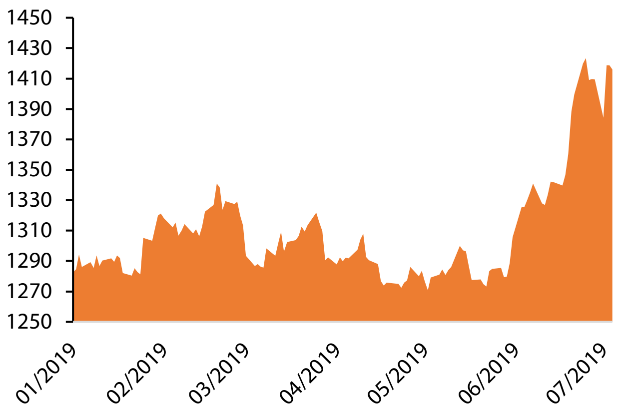
Source: Bloomberg, Rong Viet Securities

ASEAN's PMI



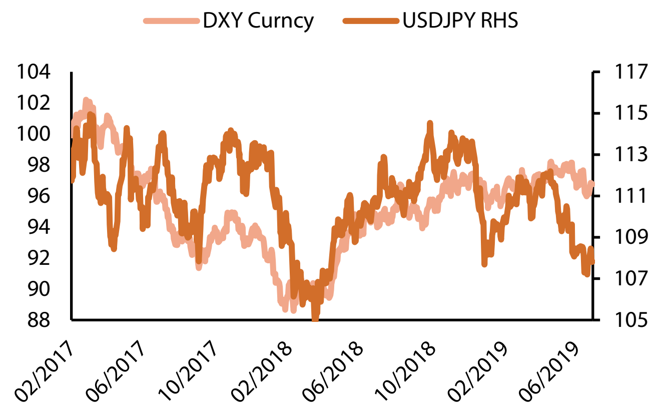
Source: Bloomberg, Rong Viet Securities

Gold prices (USD/ ounce)



Source: Bloomberg, Rong Viet Securities

FX rates



Source: Bloomberg, Rong Viet Securities

- Vietnam economic situation: From "Goldilock" to "Goldilight"
- Whether the US set tariff burden on Vietnam's goods ?

Vietnam economic situation: From "Goldilock" to "Goldilight"

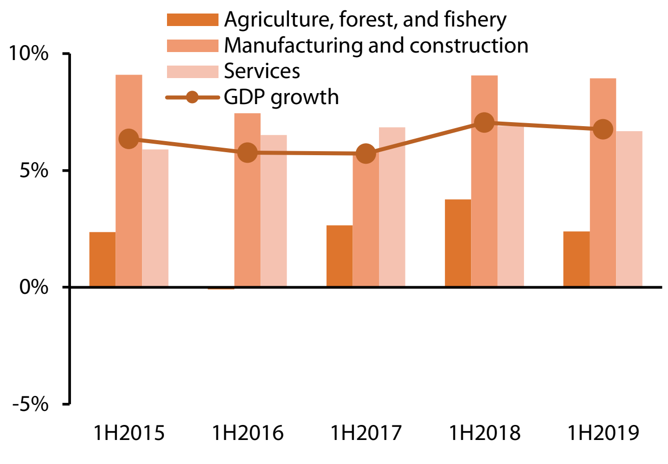
The Goldilocks principle is named by the UK fairy tale in the 19th century, Goldilocks and the Three Bears. In which, a little girl tastes three bowls of porridge and chose the most preferred ones having the right temperature. As the story travels around the world, the concept of "just the right amount" is applied to different fields. In astrobiology, Stephen Hawking said "like Goldilocks, the development of intelligent life requires that planetary temperatures be "just right". Such a planet is colloquially called a "Goldilocks Planet".

In economics, investors prefer the Goldilocks economy which sustains economic growth, low inflation and market-friendly monetary policy. In Vietnam, the form of Goldilocks economy was clearly in 2016-2018. Based on 1H2019's economic changes, we think the economy has moved into another stage of Goldi-cycle, informally called Goldi-light.

- The GDP growth remains moderate, but lower than the peak of 2018. Corporates' revenue and profit also shed.
- Policymakers stand put and observe the internal and external changes before making their own decision.
- Inflation and FX risks are softened due to the Government's intervention and global environment.

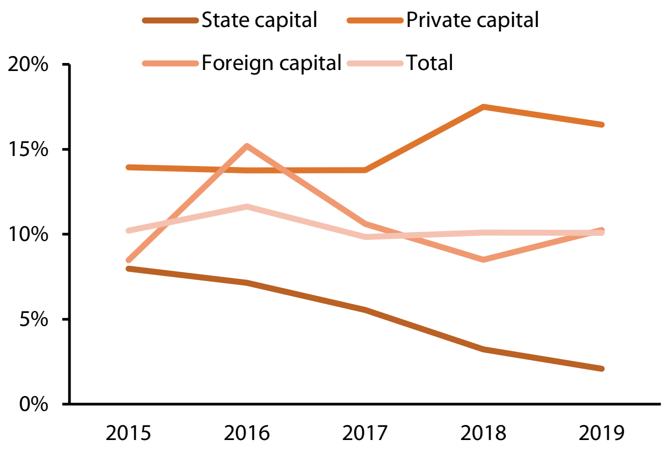
Under the circumstance, most of countries is adversely affected by a global economy slowing down. Its corollary is the diverse among nations and raises the importance of internal forces. In Vietnam, the economic health is fundamentally good in compared with other regional countries due to the stable domestic consumption and the rise of private investment.

Figure 2: GDP growth (%, YoY)



Source: GSO, Rong Viet Securities

Figure 3: Investment growth (%, YoY)



Source: GSO, Rong Viet Securities

In 1H2019, GDP growth was at 6.8% YoY, slightly below 1H2018's 7.1% YoY but higher than the same period in previous years. On the manufacturing front, all of three sectors saw a slight decrease in annual growth rate. About agriculture, forest and fishery sector, the pace was at 2.4% YoY from 3.8% YoY in 1H2018. The spread-out and hard-to-control pork epidemic as well as China's tighter import role play an important role. Fishery industry was the best and advanced at 6.5% YoY, higher than 1H2018's 6.3% YoY.

About manufacturing and construction, its growth rate sheds by 0.2% to 7.9% YoY in 1H2019. Remarkably, the sub-sector of telephones and electronics manufacturing sharply dropped. According to data of Thai Nguyen and Bac Ninh provinces, the manufacturing sector suffered some losses. In Bac Ninh province, Gross regional domestic product (GRDP) dropped 4.3% YoY in

1H2019 for the first time since 2010. The industrial production index also lied at the negative territory in 4 out of 6 months. In Thai Nguyen province, the production hub of Galaxy S10, its GRDP rose by 10.2% YoY and only completed 46.1% of the yearly plan. Both of provinces have seen the drop of employment.

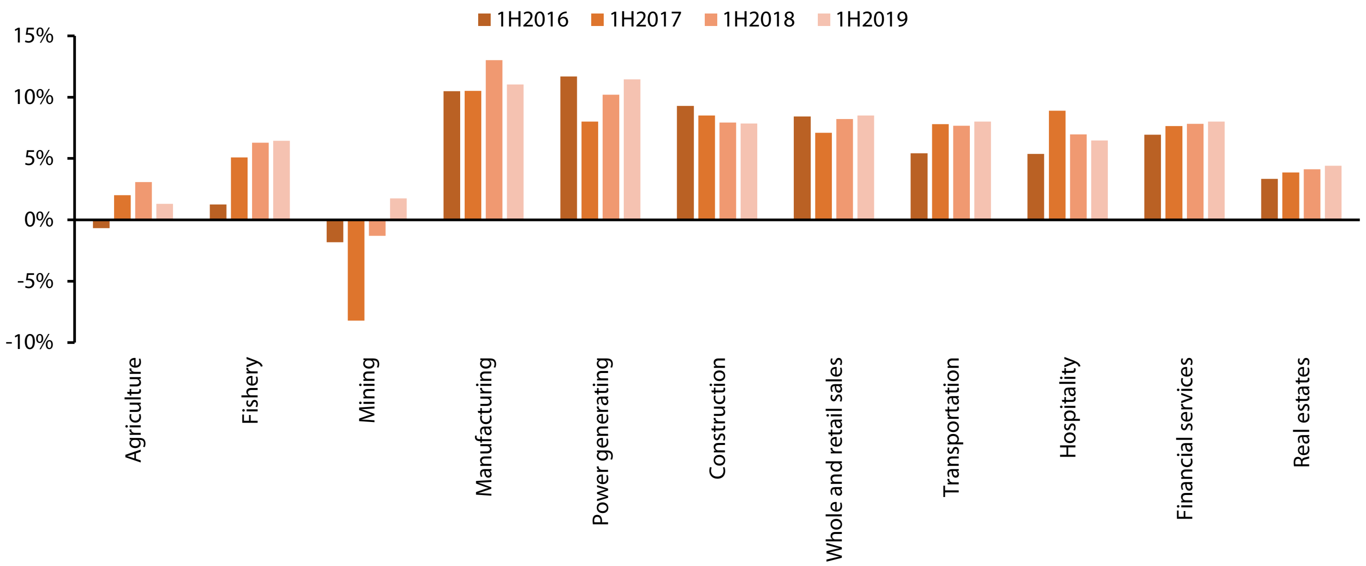
The bright point was related to the recovery of mining industry and the increase of power generating industry. They contributed 0.4% to GDP growth. In 1H2019, mining's gross product grew at a positive rate for the first time in recent years thanks to coal and ores miners. Crude oil exploiting got a little better. Besides, the hard weather propel electronic generators to maximize their capacity and the gross product rose by 11.5% YoY, above 10.2% YoY in 1H2018.

About service sector, whole sales and retail sales; transportation; and financial services kept the pace. Total revenue of goods and services, excluding the price factor, expanded at 8.7% YoY, well above 8.6% YoY in 1H2018. Credit growth reached 6.2% ytd, higher than 6.1% ytd in 1H2018. Bankers showed a stronger credit growth in the second quarter as it was at 1.9% ytd at the end of 1st quarter.

On the front of GDP usage, internal forces, including domestic consumption and private investment, have temporarily replaced the role of external ones, including trade and FDI. The private investment rose by 16.4% YoY in 1H2019, above FDI's growth of 10% YoY.

We foresee a high probability of that 2019 GDP growth will be at 6.8% YoY due to the above internal ones. There are some downside risks, consisting of: 1) FDI's worse-than-expected manufacturing in the third quarter, 2) The effect of Nghi Son refinery factory's maintenance, and 3) Pork prices' skyrocket.

Figure 4: Sub-sector's growth (%, YoY)

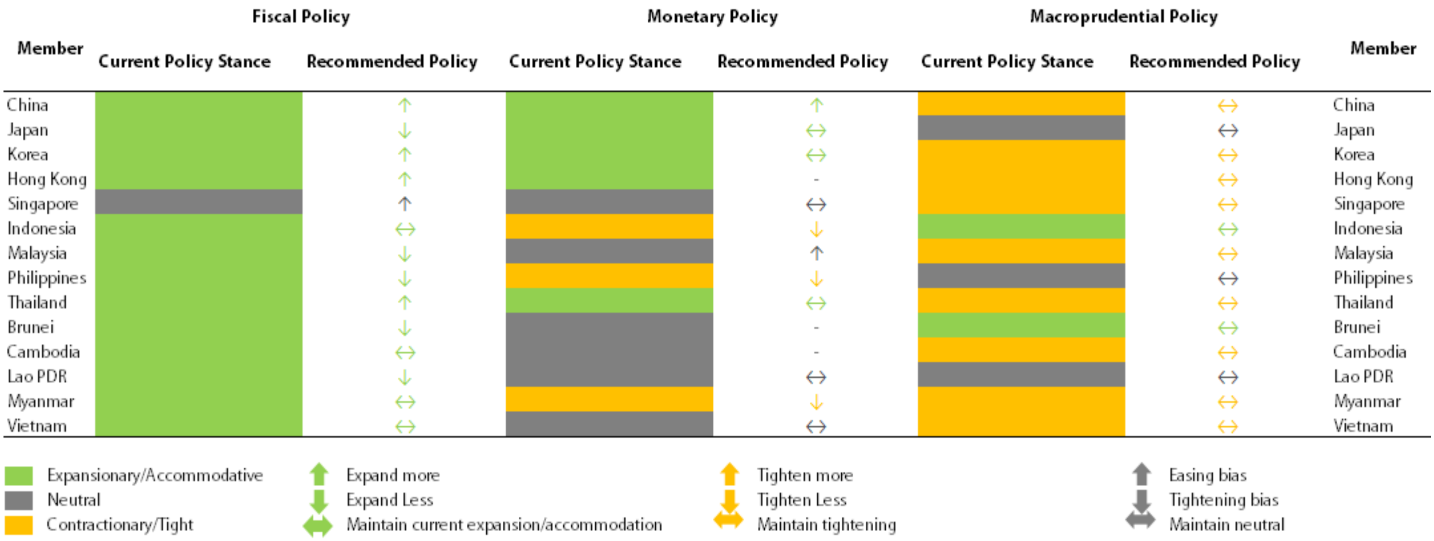


Source: GSO, Rong Viet Securities

Regarding of policy operation, policies which get effective or not intend to control tightly the money flow. However, there is no changes in interest rates. Instead of, the State Bank of Vietnam (SBV) is toward remaining an amplified liquidity via OMO channels. As being mentioned in the first part, Vietnamese policymakers are waiting for a clearly written decision of big central banks instead of catching up with EMs' banks.

In 2H2019, we expect for a more supportive fiscal and monetary policies. The approval of Law on public investment will push up the disbursement process. Meanwhile, a high possibility of that FED reduces rate in September or December opens a door for central banks in the world to lessen their policies.

Figure 5: Assessment of Current Policy Stance and Recommendations



Source: AMRO, Rong Viet Securities

Whether the US set tariff burden on Vietnam's goods?

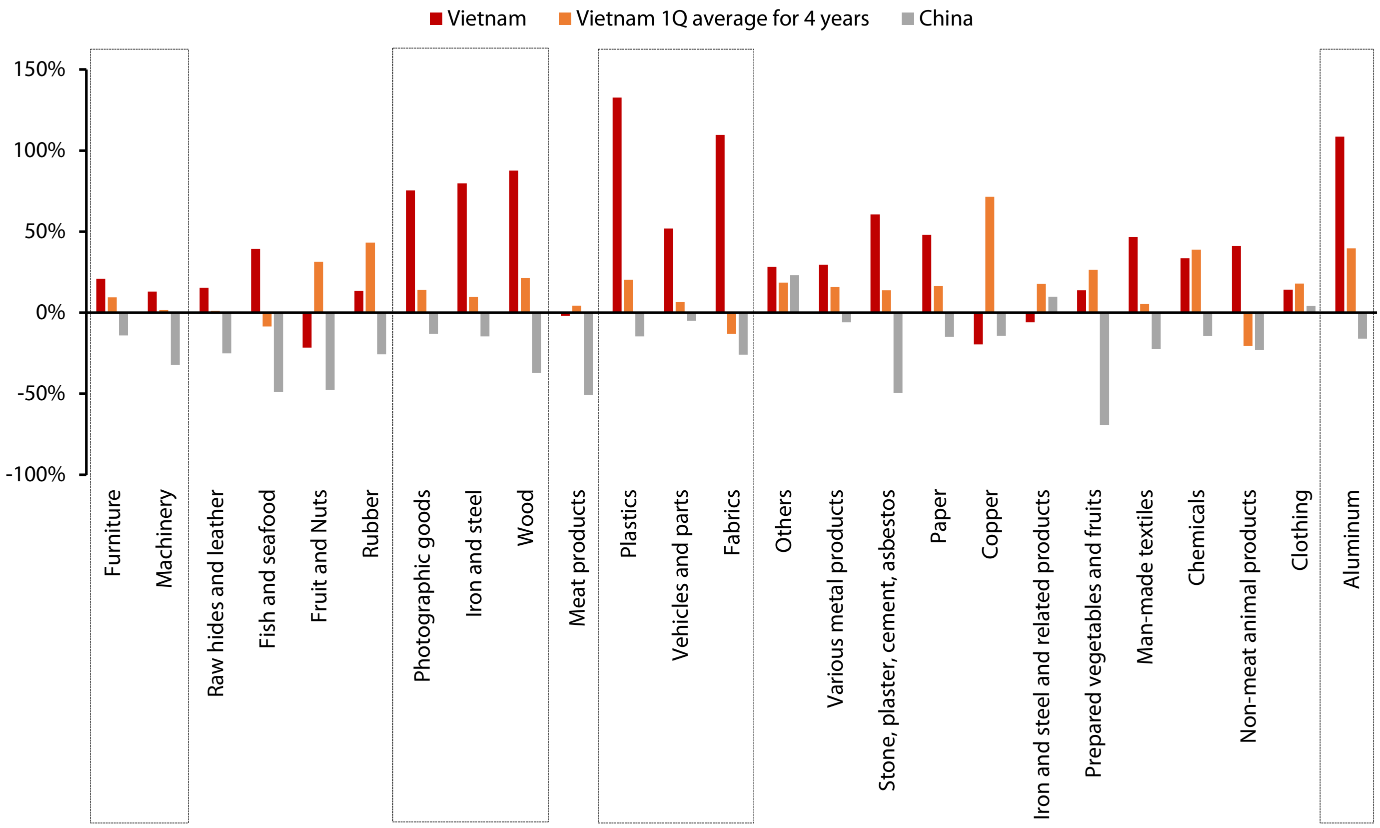
After G20 meeting in Japan, there are hot controversies about whether Mr. Donald Trump taxes Vietnam's goods. This originates from not only the US critics targeting at some Asia-Pacific countries, including Vietnam, but also the scandals of how domestic manufacturers and retailers label their products "made in Vietnam".

Before answering the above question, it is true that Cambodia and Taiwan are directly criticized by the US. In the case of Campuchia, the US embassy official said that the Department of Homeland Security investigates and fines some companies operating in Sihanoukville special economic zone due to evading tariffs in the United States by routing Chinese goods through Cambodia. Meanwhile, Taiwan government committed to apply the important measures to preclude the island from being used as an intermediate destination for illegal transshipment of Chinese-manufactured products.

About Vietnam, it is clear that Vietnam's export revenue from the US market rose by 40% in 1Q 2019, according to ITC's data. That was the highest number among Asia-Pacific countries. Notably, we filtered the export list by HS code and US tariff list, and recorded an abnormal increase of some sectors such as wood and furniture; machinery and electronic devices; iron, steel and related products; and plastics.

Although we do not highlight the possibility of that the US applies massively tariffs into Vietnam's goods, there is no doubt of more inspection. The unusual export revenue accounts for 3% of turnover from the US market or below 1% of total export value. Although the size is not too big, any tariff is not good for Vietnam's FDI flow.

Figure 6: Vietnam and China export to US in 1Q 2019, based on the USD 250 billion tariff list



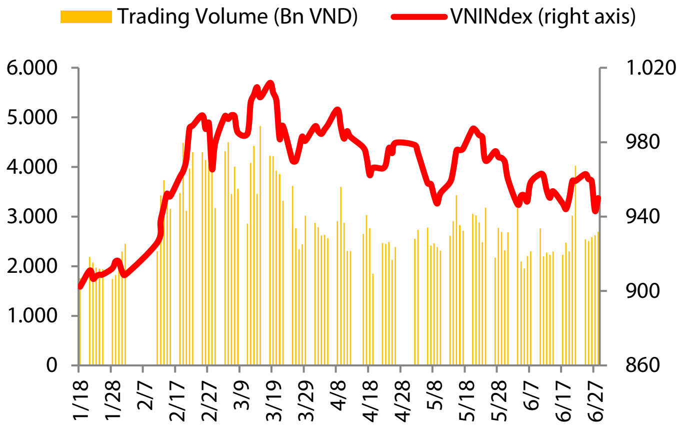
Source: ITC, Rong Viet Securities

VIETNAM'S STOCK MARKET IN JUNE: ACCUMULATION

Since the peak in March, the VNIndex entered a highly volatile downtrend with important support levels being broken one by one. Global oil prices fell due to pressure from high inventories and concerns about the global economy slowing down, US-China tensions escalating and the reversal of ETFs' inflows. These were the main factors that made investors cautious while maintaining high cash positions.

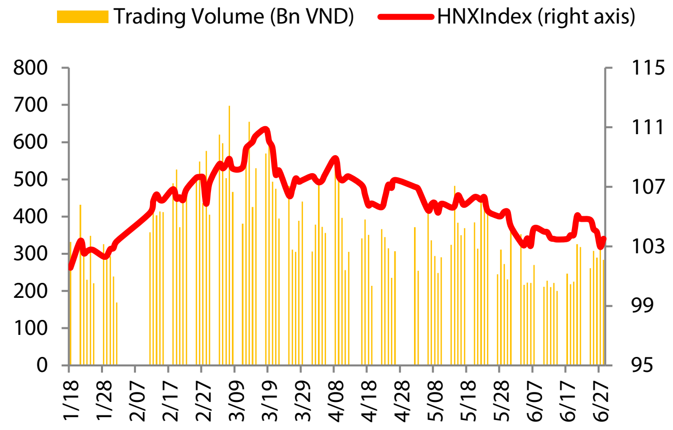
Turning to June, although still fluctuating, the downtrend stopped. The positive effect from the Fed meeting and the G20 summit between the two US-Chinese leaders could not sustain for long. VN-Index decreased by 1% and HNX-Index fell by -0.8% in June.

Figure 7: VNIndex movement in June



Source: Rong Viet Securities

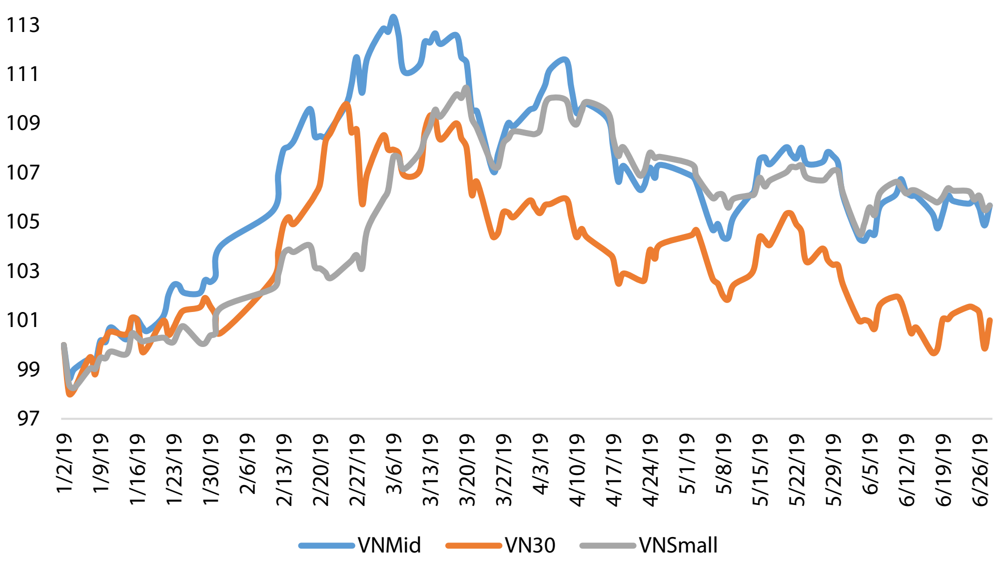
Figure 8: HNXIndex movement in June



Source: Rong Viet Securities

Large-cap suffered most as the VN30-Index dropped by 1.4%. Meanwhile, small and medium cap stocks were slightly down: VNMID-Index (-0.3%) and VNSML-Index (-0.4%). Recently, small and medium cap stocks managed to outperform due to good stories from Fisheries, Textiles and Industrial Park real estate stocks. Since the beginning of the year, VNMID-Index and VNSML-Index increased by 3.7% and 4.8% respectively, while the VN30-Index only increased by 1.1%.

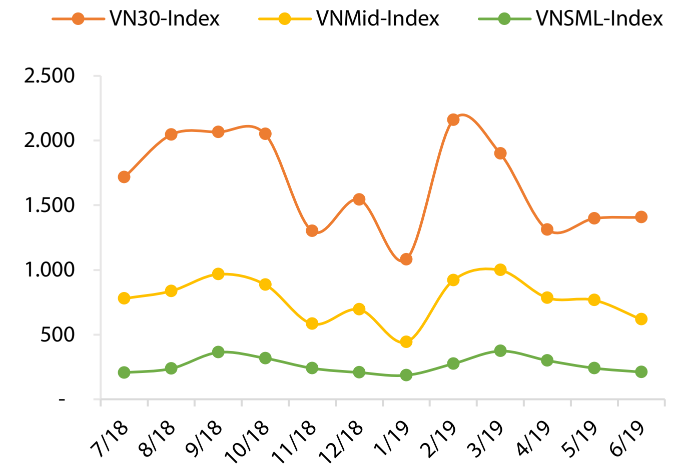
Figure 9: Performances of VN30, VNMID and VNSML indexes year-to-date



Source: FiinGroup, Rong Viet Secrities

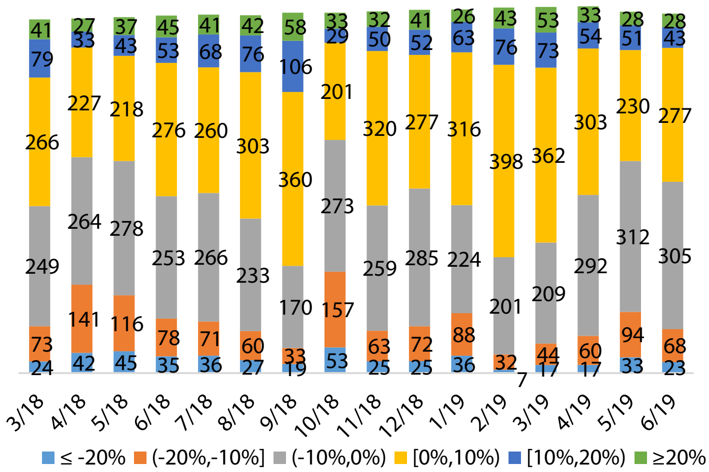
The average liquidity per session decreased slightly to VND 2,500 bn. The VN30's liquidity remained at VND 1,400 bn while the small and medium cap groups continued to experience smaller trading volumes from April on (figure 10). The market did not see liquidity improvement even when the market fell. That seems to indicate very little interest by both buyers and sellers. Although market breadth improved slightly compared to May, gainers have yet to outnumber decliners. In the VN30 group, there were 20/30 decliners in June, similar to May, showing that selling pressure in large caps was still very strong.

Figure 10: Average monthly order-matching value on HOSE (VND bn)



Source: FiinGroup, Rong Viet Securities

Figure 11: Number of stocks by performance



Source: FiinGroup, Rong Viet Securities

Cover warrant's first IPO

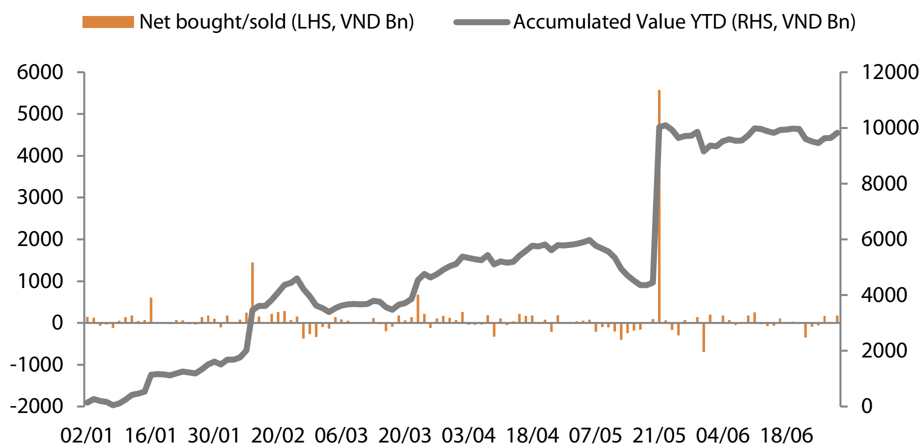
On June 28th, the very first ten cover warrants were officially traded on HOSE, maturing in 3-6 months, based on six underlying stocks: FPT, HPG, MBB, MWG, PNJ and VNM. So far, the 3-month cover warrants based on MWG, HPG and MBB were mostly sold out, while the 6-month ones were only sold partly. It is similar to the derivative market that the short-term ones are more actively traded. Meanwhile, KIS-issued 3-month VNM and 6-month HPG were extremely undersold as only 1,000/5 mn and 0/3 mn of each cover warrants being purchased respectively.

After four first trading days, the return has been very good. 3-month cover warrants based on companies that had good fundamental such as MWG and FPT have all gone up by over 100% compared to issue prices.

Foreign investors trading

After May's net selling with a record number of VND 1,500 bn on HOSE (via order-matching), foreign investors returned to slight net buying (VND 50 bn). They were less active as their trading value accounted for only 3.4% of HOSE's liquidity, compared with 4.4% in May. Notably, VFMVN30 fund certificates were net bought up to VND 800 bn, although the VN30-index was negative in the month. In contrast, SBT led the top with net selling of VND 515 bn.

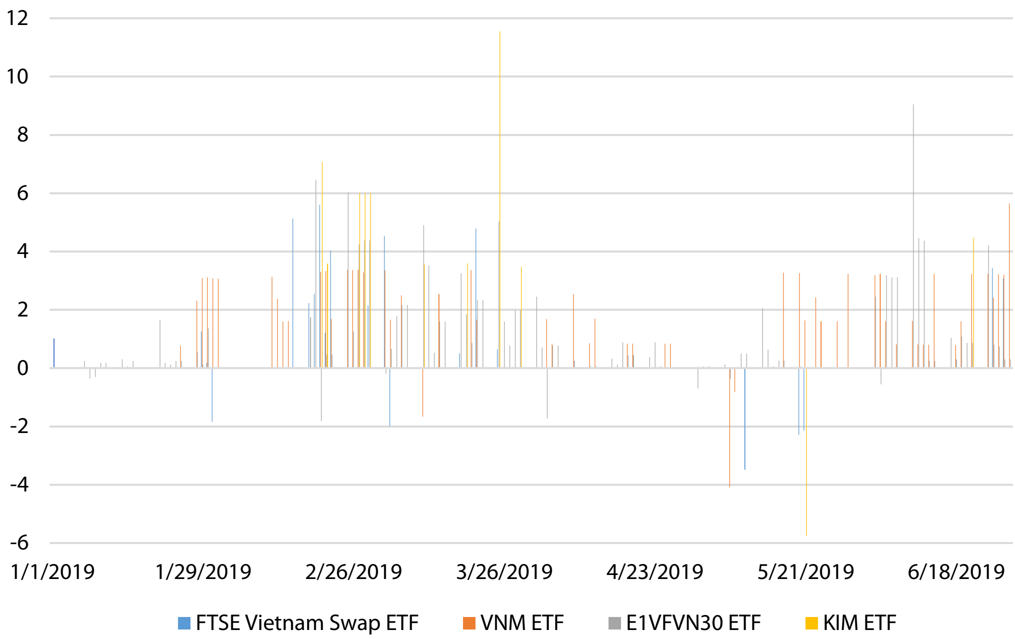
Figure 12: Net trading value of foreign investors



Source: FiinGroup, Rong Viet Securities

ETF funds were more consensus in June, while FTSE ETF (+USD 6.5 mn) and KIM ETF (+USD 4.5 mn) backed to net issuing, Vaneck ETF (+USD 39.5 mn USD) and VFMVN30 ETF (+USD 40 mn) continued to receive strong inflows. Foreign money through ETFs continued the uptrend from May with a total of over USD 90 mn USD in June, just slightly less than February and March's numbers.

Figure 13: ETFs' issuance value (USD mn)



Source: Bloomberg, Rong Viet Securities

Table 1: Foreign investors' net trading by sector in both exchanges

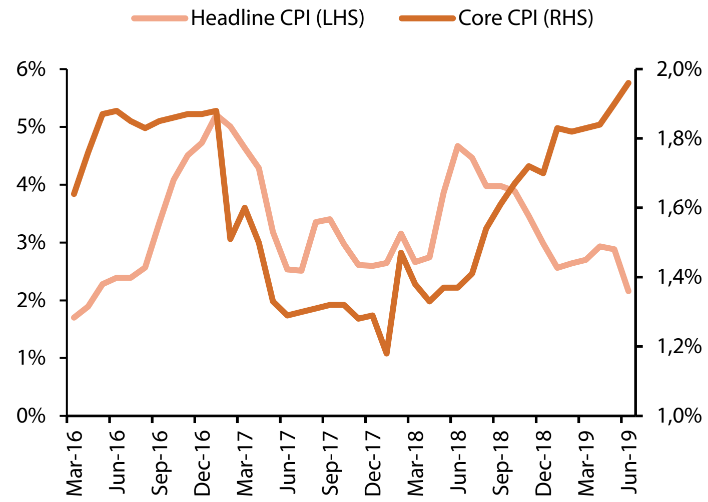
Sector	HSX		HNX	
	Net volume (thousand shares)	Net value (VND Bn)	Net volume (thousand shares)	Net value (VND Bn)
Oil & Gas	2,591	58	-129	-2
Chemicals	-8,799	-140	64	2
Basic resources	-4,081	-122	-292	-6
Construction and building	263	59	-89	-3
Industrial goods & services	-691	18	-115	-6
Automobile & parts	-1,360	-27	-20	-0
Food & beverage	-32,441	-833	-1,177	-4
Personal & household goods	8,565	44	-106	2
Healthcare	-575	-14	6	-0
Retail	194	12	-20	-0
Communication	-1,537	-130	-53	-1
Travel & leisure	2,826	339	43	1
Utilities	9,849	156	-4	-0
Bank	-16,159	-185	909	6
Insurance	759	193	-79	-1
Real estate	7,720	178	351	-10
Financial services	58,576	866	-275	2
Technology	435	12	134	1

Source: FiinGroup, Rong Viet Securities

Limited and divergent cash flow

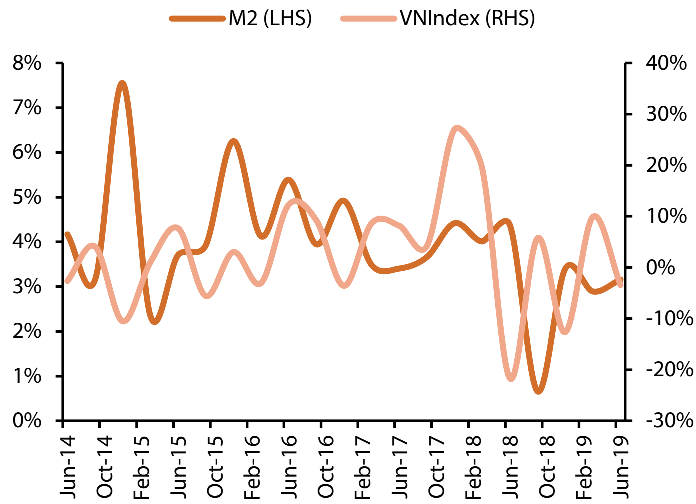
Money supply will grow slowly in the 2H19. Althourgh pressures of headline inflation and exchange rate remain low for the rest of the year, core inflation closes to 2%, Government's target. Thus we suppose that money supply' growth rate of the 2H19 will be lower or equal to that of the 1H19, which is 6.05%.

Figure 14: Core CPI closes to 2%



Source: GSO, Rong Viet Securities

Figure 15: M2 growth supports VNIndex performance

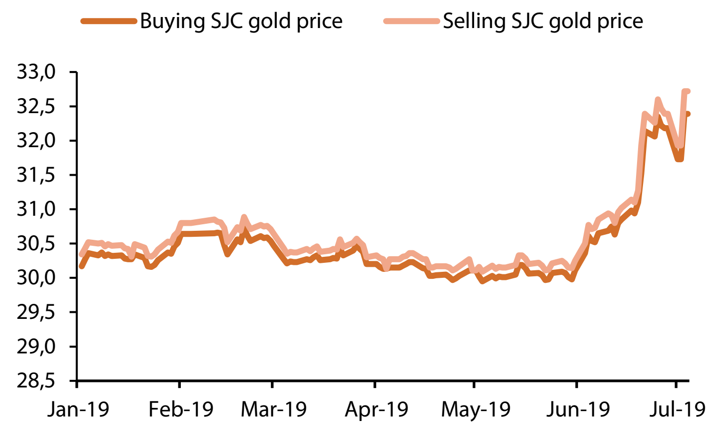


Source: SBV, Cafef, Rong Viet Securities

Money supply will not support VNIndex performance in 2H19 as it grow slowly. Thus, we do not think VNIndex can skyrocket in short term.

Besides that, corporate bonds, real estate, and gold looks more attractive relative to stock market. This can cause investors to relocate part of their wealths to other investment chanel. The buying SJC gold price has increased 4.9% in just 15 days since Fed's meeting in June. Corporate bonds, also, issues with high interest rate, somes above 12%. Although real estate has slowdowned, absorbance rate remains high following a stable rally of selling price of apartment and land lot.

Figure 16: Gold price increase sharply after Fed's meeting in June (million VND/ounce)



Source: FiinGroup, Rong Viet Securities

Table 2: Corporate bonds provide high interes rates

Ticker	Interest rate (%)	Isssued volume (Billion VND)
PDR	12-14.5	450
KDH	12.0	450
VPI	12.0	80
KBC	10.5	200
SBT	10.5	500
TTB	10.5	300

Source: FiinGroup, Rong Viet Securities

Domestic cash flow may not abundant, thus market can only be supported by capital from outside, which is affected by Vietnam and global macroeconomics.

- ✓ Macro indicators such PMI and IPI show that Vietnam economic growth will stablize, but beyond its peak. Vietnam's economic growth is still in-line with Gorverment's target, 6.6-6.8% YoY.
- ✓ Meanwhile, external risks still exist. Although, risk of the trade war between US and China has declined as they reached a truce and agreed to renegotia, there is no strong signal of trade deal will be reached soon. Compromise from both sides is needed, if not the truce status will not last long.

Investors also should pay closely attention to Fed' meeting in late July as it will directly impact offshore fund flows and stock market globally. In addition, global stock markets and US stock market has priced in a rate cut from Fed at the end of July. Therefore, if Fed does not act as market expectation, stock markets will go down. Contrarily, global stock market, generally, and VNIndex, particularly, will react positively; and offshore fund flows to Vietnam will continue.

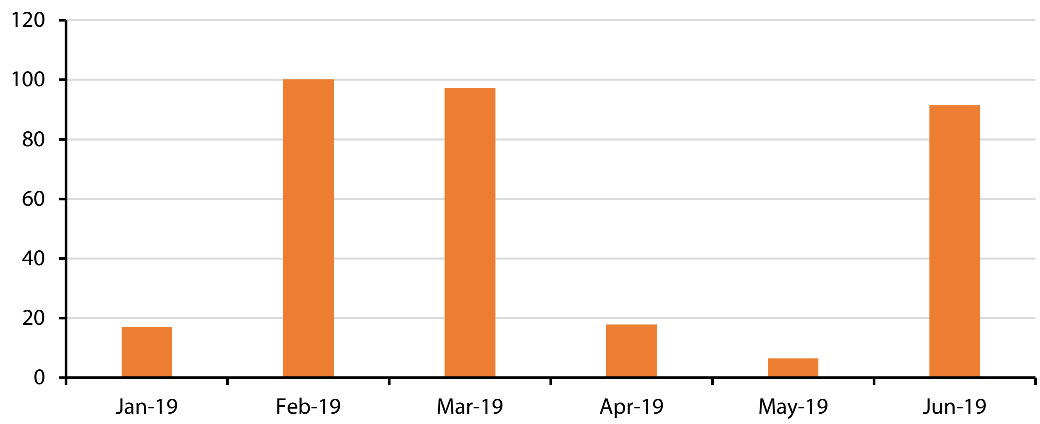
Table 3: Possibility of Fed fund rate from CME FedWatch

MEETING PROBABILITIES																						
MEETING DATE	0-25	25-50	50-75	75-100	100-125	125-150	150-175	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
31/07/2019								27,6%	72,4%	0,0%	0,0%	0,0%										
18/09/2019						0,0%	20,4%	60,7%	18,9%	0,0%	0,0%	0,0%	0,0%	0,0%								
30/10/2019				0,0%	0,0%	7,4%	35,0%	45,5%	12,1%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%						
11/12/2019		0,0%	0,0%	0,0%	3,4%	20,1%	39,8%	30,2%	6,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%				
29/01/2020	0,0%	0,0%	0,0%	1,1%	8,9%	26,6%	36,6%	22,3%	4,4%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%		
18/03/2020	0,0%	0,0%	0,2%	2,7%	12,5%	28,6%	33,8%	18,8%	3,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
29/04/2020	0,0%	0,0%	0,6%	4,3%	15,0%	29,4%	31,4%	16,3%	2,9%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Source: CME Group

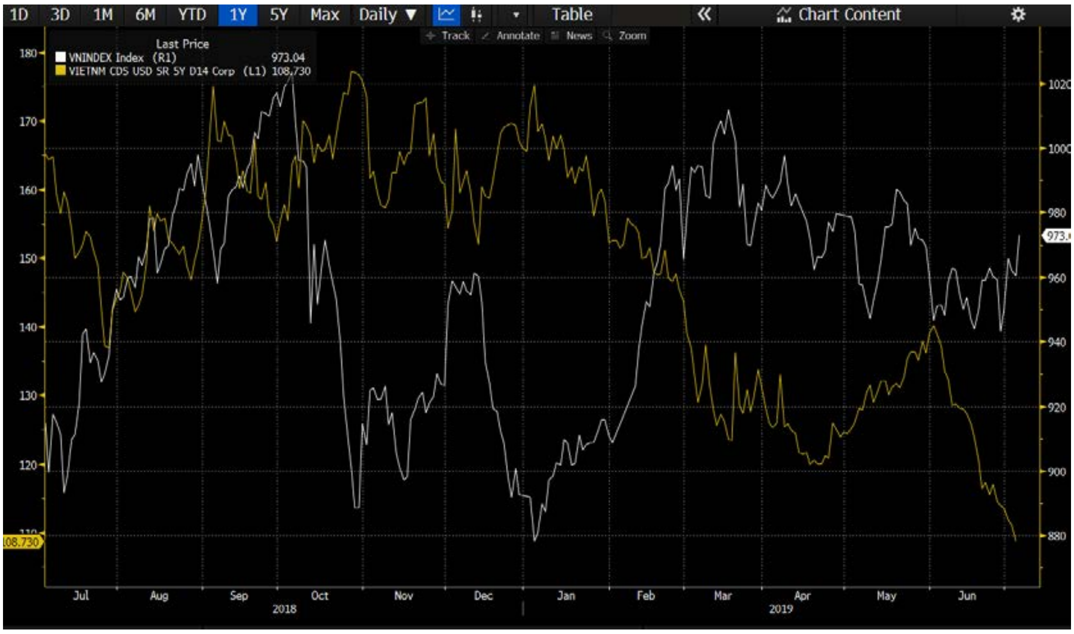
Thus, even though ETF fund flow has rebounced strongly in June, we do not think it can remain as it is in the beginning of the year.

Figure 17: ETF fund flow has bounced back (millions USD)



Source: Bloomberg, Rong Viet Securities

Figure 18: While external risks is less tense, the sharply declined of Vietnam 5 year CDS suppose a positive scenario for Vietnam stock market in the short-term



Source: Bloomberg

In short, we think Vietnam stock market is not attractive enough to cash flow in July. However, we expect market perform better than its permance in June because of (1) external risk has reduced; and (2) earning season is about to start. Based on our collection from analyst' views, 2Q and 6M's earnings will be divergent. Earnings of some stocks in leading sectors (banking) and benefited sectors from trade war (textiles, wooden furnishtured sectors) is expected to be postivie. Therfore, we suppose a better performance in July compared to June's. Our range for VNIndex is 940-985.

Figure 19: VNIndex has gone sideways in both narrow and wide range in the past

Source: Bloomberg

Short-term Opportunities in Earnings Season

The correlation between VNIndex and Vietnam 5 year CDS has loosened since the beginning of 2019. Vietnam 5-year CDS has declined to 5-year low, but VNIndex still cannot reach to 1,000. As we mention above, external risks causing the weak capital flow from offshore weighs on market sentiment. Externals risks has reduced after June as US and China agree to renegotiate and the readiness of Fed to cut rate this year. Given that Vietnam 5Y CDS has been decreasing, ETF fund flow has bounced back and foreign ivestors has turned to net buy since June, we expect a positive scenario for the Vietnam stock market in the short-term.

However, external risks remain until the US and China reach a deal and Fed announces a rate cut. Stablity of Vietnam economy is one of the main reasons for us to set a higher range for the index in July than in June. Sectors benefit from free trade agreement and/or post a positive earnings result during the earnings season will provide opportunities.

Figure 20: The relationship between Vietnam 5 year CDS and VNIndex has loosened since the early 2019

Source: Bloomberg

Business performance outlook

Based on a survey on analyst's view, 2Q and 6M's earnings will be divergent among companies. However, we believe that there are seletively stocks which will have positive performance in sectors like retail, banking, automotive retail, and fishery.

Sector	Favorite stocks	Analyst's view
Retail and Technology	MWG, FPT	We forecast that Q2's results of companies in the retail & technology sectors will see divergence in Q2: • ***MWG***: Estimated to still have profit growing faster than revenue as Bach Hoa Xanh is approaching break-even. Moreover, profit margin in 2H 2019 is forecasted to improve YoY since the company booked a lot of expenses related to Bach Hoa Xanh's old stores closedown in 2H 2018.

		• *FPT*: Sales growth engine will come from: (1) Accelerating software outsourcing, especially from the US market due to the acquisition of Intellinet and (2) Consistent growth from internet subscribers and paid TV (IPTV) approaching break-even. However, depreciation cost remaining high and declining sales/subscribers due to high competition will impact the margin of telecom segment. • *PNJ*: Q2's result is expected to down YoY as a result of the ERP incident. As we know, the issue was fully solved in June and the company will back to normal in July. Therefore, we believe PNJ's sales will recover in Q3. • *FRT*: The company recovered in Q2 after the flat-growth in Q1 thanks to price support from Apple. However, we will not likely see significant growth in 2H 2019 since the incoming iPhone (if successfully launch) will only on sales in Vietnam from December and Long Chau pharmacy chain is still in the testing stage.
Fishery	VHC	1H 2019's results are forecasted to diverge between pangasius and shrimp companies: • Pangasius: companies benefit from from high fixed-selling prices at the end of 2018 and a strong drop in materials prices. VHC and ANV's net profits are projected to go up at least 30% YoY. • Shrimp: profits is expected to go down in 1H 2019 due to selling prices has gone down following global trend prices while major exporting countries have been raising production. Disturbing from US-China trade war to global shrimp trade flows is another factor. At the same time, domestic shrimp material price increased as shrimp farmers limit stocking to avoid bad weather. If EVFTA takes place (we expect no sooner than 2020), the main route for tax reduction on shrimp and pangasius exports to Europe is expected as follows: • Import tax on freezed shrimp will down from 4.2% to 0% in four years. • Import tax on processed shrimp will down from 7% to 0% in eight years. • Import tax on freezed pangasius will down from 5.5% to 0% in four years. • Import tax on processed pangasius will down from 7% to 0% in eight years. *We believe that in short term, freezed shrimp export prospect will get better thanks to the shorter tax reduction time (to 0%) and simple processing technique. Meanwhile, tax reduction will not likely increase pangasius's competitiveness since (1) European prefer shrimp, red meat, sea whitefishes salmon, and (2) Vietnam accounts for more than 95% global pangasius market share.*
Automobile	HAX	5M 2019, total sales of automobile sector posted a 20% growth. Companies also enjoyed good growth. However as supply increasing, there was firce competition between wholesellers. In particular, distributors had to increase discount for clients, making net profit just slightly improved. • *HAX*: Distributing luxury cars hence facing less competition that those in middle-priced segment. Q2's sales is forecasted to up 13% while profit only up 3% due to Q2 2018 had the highest margin (MBV cars indirectly benefited from the Decision 116 as competitors such as Lexus and Audi could not import). • *SVC*: 6M's acummulated sales is positive. However, Q1's margin remained the same at 2018's level (6.5%) since the company mostly sold orders booked in 2018. From Q2, especially June, the competition has been fiercer, pulling down profit margin. It is expected that in 2H 2019, margin will strongly decline compared to Q1.
Bank	MBB, ACB, VCB	Total credit growth was 6.2% YTD in 6M 2019, did not change much compared to 2018's same period. Notably, loan disbursement rate (shown as monthly credit growth) has been being quite consistent, results an improvement of NIM and cross-selling services income over the same period. The income from core business (interest, services and foreign exchange) will be positive, but profits can diverge due to imforecastable of provision expense in some large banks.

		VCB, MBB, and ACB are the three banks that we highly appreciate the ability of strong growth from core business activities. For VCB, we believe that the bank's profit still grow by more than 10% in 2019 (despite last year's record of one-off income from divestment). Along with that, the expectation of signing exclusive bancassurance contract and the private placement plan can be catalyst for VCB stock price. VCB is trading at 2019's forward PBR of 3.3x, not cheap compared to the industry average as well as in the past. However, in exciting periods, VCB's PBR may reach the highest level of 3.5 to 3.6x.
Oil & Gas	PVS	• Oil price movement will still be the main factor affecting business results. OPEC+ continues to extend its production cuts of 1.2 million barrels (~ 1.2% of world demand) by March 2020, which is temporarily considered good news. • Jobs have become more abundant for O&G companies, but mainly coming from overseas or energy projects • The upstream O&G firms are still beneficiary in this period.
Electricity	Not positive	Electricity companies are forecasted to have minimum growth in Q2 2019 due to: • High demand on electricity but short of supply due to lack of fuel (natural gas in the Southeast area currently provided only 18-19 million m3 per day compared to ~ 21 million m3 per day at the same period last year, global coal price increased rapidly, leading to surging demand on domestic coal. Meanwhile, domestic supply could not meet the demand. • Hydropower: Due to El Nino, both the North and South did not have sufficient water. Some large lakes such as Hoa Binh and Son La Hydropower are being kept at the dead water level.
Steel	Not positive	• Steel businesses shift their focus back to the domestic market • Due to low demand in Europe & China, especially China's automobile industry, flat steel prices to fall continuously. In addition, new capacity in Southeast Asia were put into operation in the second half of 2018, thus we expect low profit margin due to competition. • Iron ore price should be closely monitored. Accordingly, if it remains high, steel makers' profit margins might be under pressured in 2H2019 despite increasing output. HPG can be included in the watch list if iron ore price falls to 80-85 USD per ton in 3Q.
Construction	Not positive	Some companies can benefit from the influx of Chinese FDI into Vietnam. However, this increase is insufficient to offset the decline due to a series of large projects being delayed.
Fertilizer	Not positive	• Revenue is expected to decline due to unfavorable weather and competition of imported goods. Fertilizer consumption volume might drop as a result. • Increasing costs make the large companies' business results less optimistic. DPM faces an increasing depreciation expense while DCM is affected by rising gas price.
Agriculture	Not positive	• In the first six months, rice exports fell sharply in both volume and value. Except for the Philippines, traditional and large rice import markets such as China, Indonesia and Bangladesh all reduced imports. The situation is expected to prolong in 2H2019. • The agrochemistry industry experienced slow sales due to gloomy demand.

Trade war and EVFTA

Vietnam is a one of the first pick for the strategy of "China plus one" of many corporations and comglomerates due to the trade war risk and diminishing low-cost advantage of China. The movement of FDI into Vietnam is still ongoing. Registered FDI reached USD 10.3 Bn, a 36% decrease YoY. The reason was that there were two projects in real estate and casino in June 2018. The 6M registered FDI was about the same last year period if we exclude those two. Manufacturing continued to contribute the most (71% of total registered FDI).

Regarding to free trade agreement, Vietnam and European Commisions has signed EVFTA on June 30. However, we suppose that the agreement will go into effect no sooner than 2020 because:

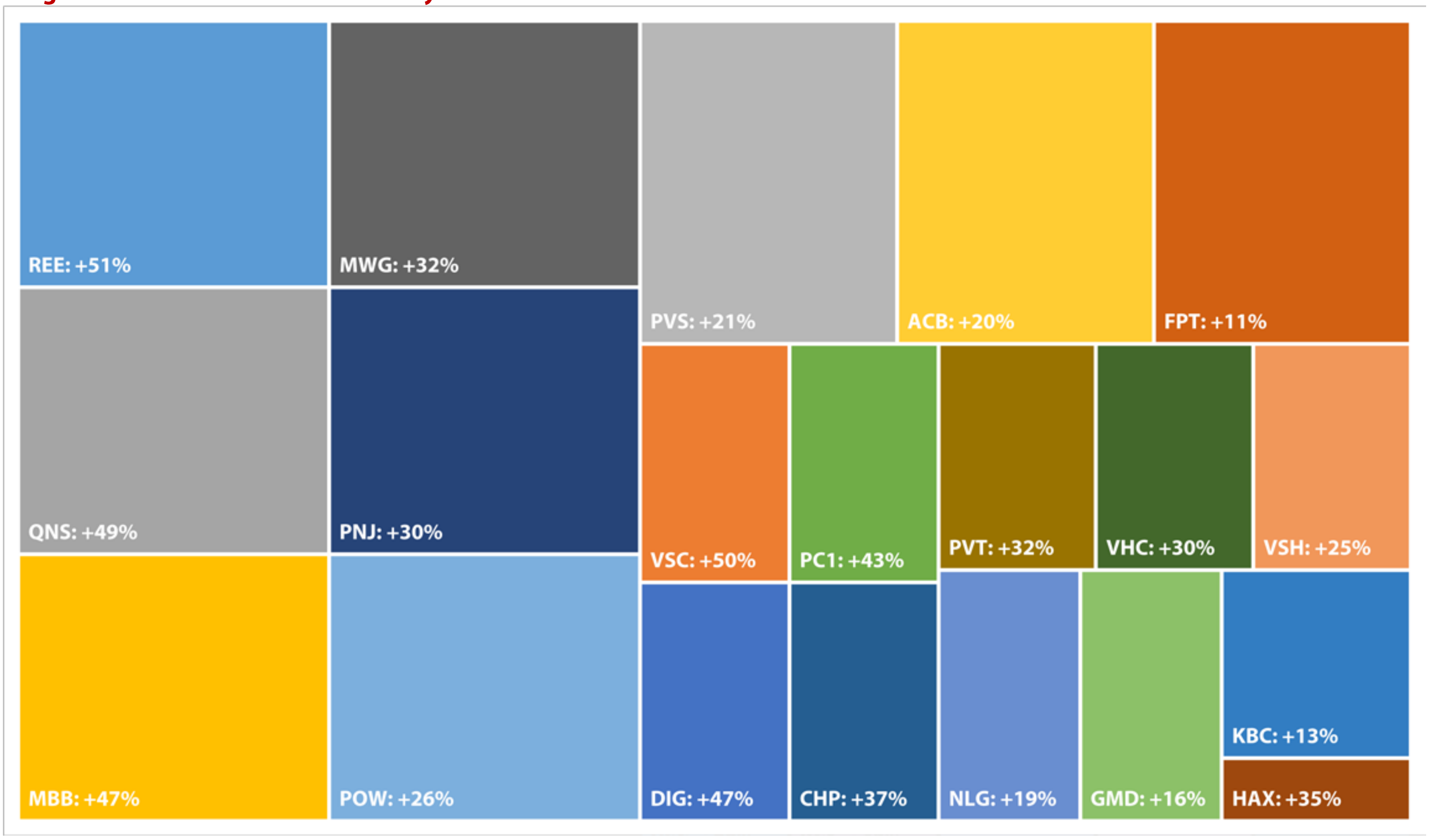
- The EVFTA needs to be passed by European Parliament.
- Vietnam Assembly aslo needs to pass the agreement in late October meeting.

We suppose that Sea port, industrial real estate, wooden and furnishture, textile and fishery (shrimp) sectors will benefit in this trend.

<table>
<tr><th>Sector</th><th>Favored stock</th><th>Analyst's view</th></tr>
<tr><td>Seaport</td><td>GMD</td><td>The sector will grow stable thanks to FTAs and the shift from China. However, only companies with advantage in capacity surplus, wide network, and able to provide full chain logistics services can benefit, including GMD. In details:
• GMD still has room at Nam Dinh Vu port in order to accommodate shipping line demand from Hai Phong's upstream ports in medium term. Nam Dinh Vu has a great location (only behind Lach Huyen). Thus, it can draw new customers from upstream to reduce competitive risk from Lach Huyen.
• Gemalink at Cai Mep is, also, a motive for long term growth (3-5 year) until port cluster at Hai Phong operate stable gradually.</td></tr>
<tr><td>Industrial park</td><td>VGC</td><td>The ongoing US - China trade tension has been impelling industrial park leasing in the past six months. VGC should have benefited the most:
• Lease out about 105 ha (+362% YoY) in 6M 2019. Foxconn planed to place another 10-ha factory in Dong Mai, Quang Ninh. Most new comers are also the tech firms. So we therefore confirm the belief that the manufacturing shift did present and lift up rental demand, especially in the north.
• Estimated ASP increased 11% in VGC zones compared to that of 2018. The hike was seen in VGC's more remote zones (Phu Ha, Tien Hai and Dong Van IV) given their previous lower-base price levels, ranging 40 - 60 USD/sqm. This suggests rental demand is escalating towards faroff regions where also have acceptable level of infrastructure and workforce.
• Rating Positive for industrial park segment, expected to contribute 30% of total gross profit in 2019, compared to 20% in 2018. Building materials are still the burden experiecing diminising margin and ASP due to intense competition and cost-push.
• Incoming 39% divestment from the MoC is one catalyst.</td></tr>
<tr><td>Textiles</td><td>STK, MSH</td><td>• CPTPP has not much impacted on the sector as only three countries in this agreement do not have FTA with Vietnam. However, these market is still new to Vietnam textile companies. Thus, they need more time to research and penetrate. Additionally, rule of origin "yarn-forwards" is still a barrier of the sector.
• EVFTA: corporates export big part to EU such as TNG, MSH can benefit indirectly due to an increase in order, but it is still hard to benefit from low tarriffs due to fabric material imports mainly from China.
• Trade war impacts the most to Vietnam textile sectors. However, although orders has increased due to the shift to Vietnam, these orders is simple and low-added value.
• Green consumption is a new trend of global textile. STK is focusing on developing recycled yarn, can benefit from this trend.</td></tr>
<tr><td>Wooden Furniture</td><td>PTB</td><td>The ongoing US - China trade tension and EVFTA have been granting such opportunities for wooden furniture business. Phu Tai JSC (HSX: PTB) is one of few listed firms who avail.
• Wooden revenue skyrocketed 47% in 2018 thanks to booming demand in 2H when trade tension commenced. Being noticed, average growth of this segment is 25% during 2014 - 2017. We think the advantage is still intact in 2019 given the US's recent USD300 billion tariff imposed on China.</td></tr>
</table>

- 1H 2019 wooden revenue expects to increase 25% YoY when estimated production jumped 30% YoY. Exports contribute 70% to total wooden revenue. Orders from the US (mostly indoor furniture) increased strongly, accounting for 55% of total exports. Focusing on several big clients from the US is PTB's strategy in order to increase efficiency. Gross margin of 16 - 17%.
- We expect stone revenue to improve in 2H thanks to efforts of product restructuring: focusing on mid-to-low end and less sophisticated products, which are perceived to be more consumed amid dwindling demand. Gross margin should remain stable at 35% though.
- Rong Viet forecasts 2019 revenue and NPATMI to increase 13% and 20% respectively.

Figure 21: Our favorite stocks in July 2019



Source: Rong Viet Securities; Price as of July 4th 2019; Square size: stock's market-cap classification

HIGHLIGHTED STOCKS

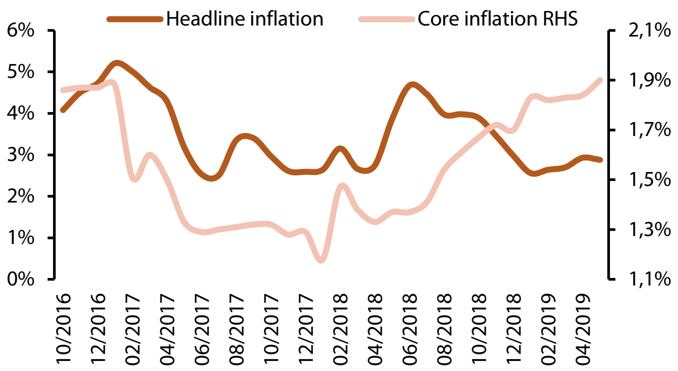
Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2018		2019F		2020F		PER Trailing (x)	PER 2019F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
DXG	HOSE	273	30,063	18,350	63.8	Buy	14.9	39.8	-18.3	3.2	78.4	33.8	5.4	5.2	1.2	0.0	-26.3	850	0.8
NKG	HOSE	48	8,900	6,180	60.2	Buy	18.9	-92.0	5.3	68.4	15.9	175.0	-6.8	14.3	0.4	16.2	-57.1	84	58.3
OIL	UPCOM	507	18,232	11,500	58.5	Buy	52.0	-13.6	-4.3	16.9	7.0	1.6	81.1	26.7	1.2	0.0	-25.7	147	43.2
REE	HOSE	440	48,400	33,350	50.5	Buy	36.5	26.0	11.2	-1.6	12.7	11.3	5.9	5.6	1.1	5.4	17.1	681	0.0
VSC	HOSE	73	44,000	31,000	50.0	Buy	30.1	26.6	-5.8	-16.3	-3.1	-14.9	6.2	6.2	1.0	8.1	10.6	133	6.6
QNS	UPCOM	464	44,000	30,500	49.2	Buy	5.2	20.8	6.8	12.3	15.8	10.5	8.9	8.1	1.9	4.9	6.6	395	36.4
MBB	HOSE	1,904	30,500	21,150	47.0	Buy	40.9	68.3	23.6	24.7	21.1	24.9	7.0	6.2	1.3	2.8	8.2	3,233	0.0
DIG	HOSE	170	19,500	13,300	46.6	Buy	68.4	31.7	-9.2	26.5	162.8	37.0	11.5	9.9	1.1	0.0	4.9	474	12.3
MKP	UPCOM	49	71,500	50,200	45.4	Buy	8.3	-4.2	2.2	7.5	-0.4	11.6	12.1	15.3	0.9	3.0	-14.9	2	4.9
PC1	HOSE	128	26,800	18,800	42.6	Buy	60.5	90.0	22.2	-11.6	-2.9	17.0	6.2	8.2	0.9	0.0	-18.9	98	10.5
CHP	HOSE	131	29,000	22,200	37.4	Buy	32.5	59.2	68.4	131.3	21.3	10.7	13.4	14.1	1.7	6.8	-3.5	11	45.6
HAX	HOSE	23	19,600	15,650	34.8	Buy	33.1	8.1	19.8	11.3	10.2	16.0	5.4	5.0	1.2	9.6	7.3	99	37.2
MWG	HOSE	1,801	125,000	95,500	32.5	Buy	30.0	30.5	22.7	23.2	25.6	23.6	13.3	12.6	4.2	1.6	23.9	2,259	0.0
PVT	HOSE	198	21,200	16,500	31.5	Buy	22.4	44.9	13.5	-4.3	-5.8	-10.7	7.0	8.1	1.2	3.0	20.7	228	16.7
PNJ	HOSE	707	95,000	74,500	30.2	Buy	33.0	32.5	30.3	34.6	27.6	27.4	15.5	13.6	4.1	2.7	24.8	1,928	0.0
VHC	HOSE	340	112,500	86,500	30.1	Buy	13.7	138.5	8.8	-11.7	19.4	10.2	4.8	6.4	1.8	0.0	59.6	938	65.0
DRC	HOSE	96	23,500	18,950	29.3	Buy	0.0	-0.2	6.5	2.9	4.3	17.5	16.7	17.0	1.5	5.3	-11.4	297	26.4
DPM	HOSE	260	19,100	15,600	28.8	Buy	16.0	0.7	-3.3	-12.9	17.4	62.0	10.7	11.8	0.8	6.4	-0.9	358	28.5
POW	UPCOM	1,476	18,400	14,800	26.4	Buy	5.3	107.8	20.5	39.5	2.7	5.8	17.2	12.8	1.4	2.0	0.0	1,813	33.9
VSH	HOSE	163	22,100	18,500	24.9	Buy	17.5	10.8	101.9	7.7	44.0	7.7	16.9	10.1	1.2	5.4	8.8	307	36.0
HPG	HOSE	2,623	27,800	22,300	24.7	Buy	22.0	0.0	20.0	-3.0	30.5	60.3	7.5	7.6	1.5	0.0	-21.9	4,850	9.8
PGI	HOSE	65	20,000	17,200	23.3	Buy	3.4	15.6	5.9	7.7	3.2	15.7	10.4	11.2	1.1	7.0	-0.4	42	28.2
BFC	HOSE	46	20,700	18,700	21.4	Buy	1.6	-30.1	-3.0	-32.0	1.0	1.5	6.6	8.8	1.2	10.7	-19.8	86	35.1
PVS	HNX	478	28,000	23,500	21.3	Buy	-12.9	30.8	17.9	10.0	-25.7	-19.6	9.7	9.8	0.9	2.1	62.4	3,488	24.2
PME	HOSE	157	57,400	49,000	21.2	Buy	3.2	8.0	11.0	6.5	14.0	14.6	12.0	11.2	2.0	4.1	-28.0	13	37.9
ACB	HNX	1,551	35,100	29,200	20.2	Buy	22.7	142.5	11.5	12.9	11.4	16.7	6.8	6.4	1.6	0.0	4.9	1,249	0.0
NLG	HOSE	294	34,258	28,900	18.5	Accumulate	24.8	55.0	-8.2	16.8	-18.3	42.4	7.4	7.8	1.5	0.0	4.2	1,314	0.0
HDB	HOSE	1,107	31,000	26,500	17.0	Accumulate	38.5	136.6	17.0	35.1	13.4	20.7	9.0	6.8	1.6	0.0	-22.7	1,932	5.5
SHP	HOSE	92	25,400	23,050	16.7	Accumulate	20.3	88.9	-5.8	-14.9	3.0	19.4	10.7	13.7	1.8	6.5	7.2	15	44.0
GMD	HOSE	343	30,000	27,100	16.2	Accumulate	-32.0	263.8	5.6	-71.6	9.0	13.6	11.7	15.6	1.3	5.5	19.6	633	0.0
ACV	UPCOM	7,846	95,300	84,600	15.1	Accumulate	16.0	50.0	14.4	14.0	1.2	5.6	25.5	29.2	5.6	2.5	0.6	473	45.4
KBC	HOSE	300	15,900	15,000	12.7	Accumulate	98.8	27.9	-4.5	-11.5	-6.2	-0.2	11.2	10.7	0.8	6.7	28.2	1,214	26.3
PAC	HOSE	71	38,000	36,000	12.5	Accumulate	12.7	-42.6	9.6	11.4	10.8	7.5	10.3	9.6	2.6	6.9	-5.4	20	21.0
IMP	HOSE	100	51,000	47,400	11.4	Accumulate	1.7	18.2	9.8	7.9	14.6	15.3	16.5	17.8	1.5	3.8	-5.6	26	0.4
VRE	HOSE	3,447	38,550	34,750	10.9	Accumulate	-13.6	-17.2	2.5	21.7	13.3	22.2	32.7	27.6	2.8	0.0	13.5	4,438	16.7
FPT	HOSE	1,357	50,000	46,950	10.8	Accumulate	8.0	47.0	-36.1	1.1	13.0	21.2	11.6	9.8	2.4	4.3	34.8	2,762	0.0
LTG	UPCOM	80	24,200	23,300	10.7	Accumulate	4.6	-8.1	-0.4	-17.1	2.0	21.2	4.8	6.5	0.7	6.9	-23.4	126	5.1
VNM	HOSE	9,362	134,500	126,200	10.5	Accumulate	3.0	-0.7	7.1	4.0	7.4	6.4	21.3	23.0	7.8	4.0	-6.3	5,294	40.9

Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2018		2019F		2020F		PER Trailing (x)	PER 2019F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
NT2	HOSE	332	27,100	27,100	9.2	Accumulate	13.4	-3.5	2.4	-3.7	0.3	4.7	10.8	10.5	2.0	9.2	8.2	212	26.4
CTG	HOSE	3,355	23,100	21,150	9.2	Accumulate	-11.9	-27.1	15.6	45.1	11.8	20.4	14.3	13.8	1.1	0.0	-3.4	2,278	0.1
VJC	HOSE	2,988	138,000	129,500	8.9	Accumulate	26.7	5.2	13.1	27.0	66.7	82.7	13.2	12.9	4.5	2.3	1.1	4,835	9.9
BID	HOSE	4,777	35,000	32,800	8.8	Accumulate	14.0	8.4	23.8	15.0	6.8	33.2	15.3	18.0	2.1	2.1	43.2	1,243	26.9
HDG	HOSE	173	37,200	34,200	8.8	Accumulate	14.1	-16.0	48.1	7.7	27.5	22.5	4.6	6.2	2.0	0.0	57.0	566	29.2
SCS	UPCOM	385	158,000	158,200	4.9	Neutral	14.8	20.7	12.4	14.9	16.5	21.1	21.0	17.8	9.8	5.1	0.0	260	25.1
VGC	HNX	392	21,000	20,500	2.4	Neutral	-2.0	-6.0	-1.9	10.2	4.1	10.4	14.9	16.1	1.4	0.0	0.0	1,080	36.5
VCB	HOSE	11,454	72,500	72,500	1.1	Neutral	33.6	61.1	16.9	19.5	12.5	12.3	16.6	17.2	3.7	1.1	32.1	2,390	6.2
NCS	UPCOM	24	30,000	31,700	-2.2	Neutral	15.4	24.2	6.8	-17.0	6.9	7.7	12.9	15.6	2.3	3.2	-8.3	3	47.3
AST	HOSE	123	60,000	64,000	-3.1	Neutral	108.0	236.1	27.4	11.9	14.0	-9.0	17.1	16.0	4.8	3.1	31.0	371	15.5
MSH	HOSE	132	56,000	62,000	-3.2	Neutral	9.7	17.1	10.3	9.8	13.5	4.4	7.3	8.0	3.0	6.5	0.0	400	42.1
TCM	HOSE	70	25,500	28,400	-6.7	Reduce	4.5	67.8	-8.8	-33.6	7.4	0.4	6.5	11.2	1.3	3.5	71.7	1,168	0.0
VIC	HOSE	17,022	106,661	116,500	-8.4	Reduce	68.4	74.1	7.6	50.0	41.2	106.5	107.9	74.1	5.5	0.0	11.0	6,533	34.4
STK	HOSE	76	20,800	25,300	-11.9	Reduce	46.6	242.3	21.0	9.4	17.9	17.8	8.7	8.5	1.7	5.9	105.4	143	39.2
FRT	HOSE	171	50,000	58,300	-12.5	Reduce	16.0	20.0	30.8	28.6	8.7	17.7	11.4	11.1	3.3	1.7	-23.8	238	0.5
PPC	HOSE	423	23,000	31,000	-16.1	Reduce	14.1	35.3	-3.6	-14.1	5.6	7.6	8.2	10.5	1.7	9.7	102.0	737	34.0
PHR	HOSE	352	30,200	61,000	-47.2	Sell	40.4	48.5	-9.4	211.4	8.8	-15.0	13.0	9.9	3.0	3.3	237.0	1,156	41.1

(*) Total Return = Stocks' Upside plus dividend yield

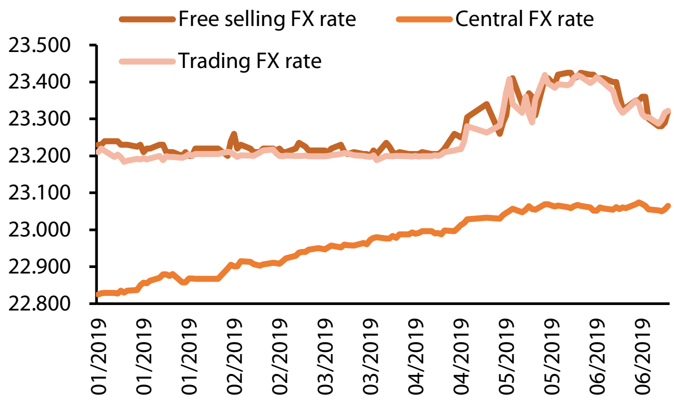
VIETNAM ECONOMIC INDICATORS IN JUNE

Inflation (%, YoY)



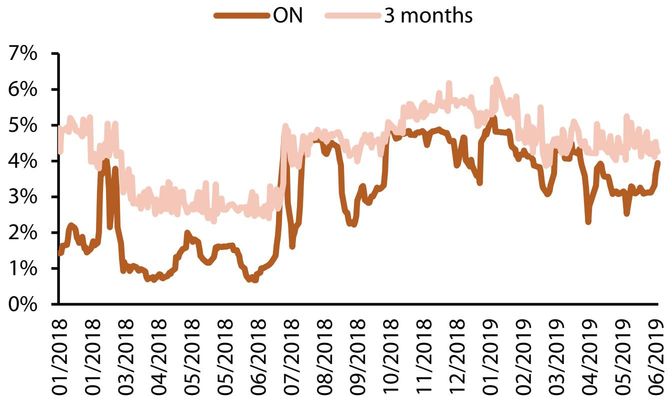
Source: Bloomberg, Rong Viet securities

USDVND rate



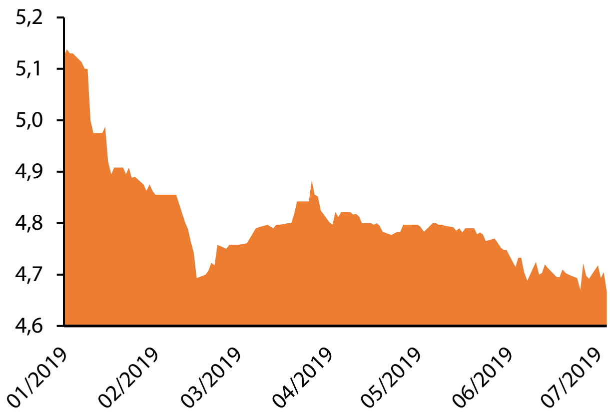
Source: Bloomberg, Rong Viet securities

Interbank interest rates (%/year)



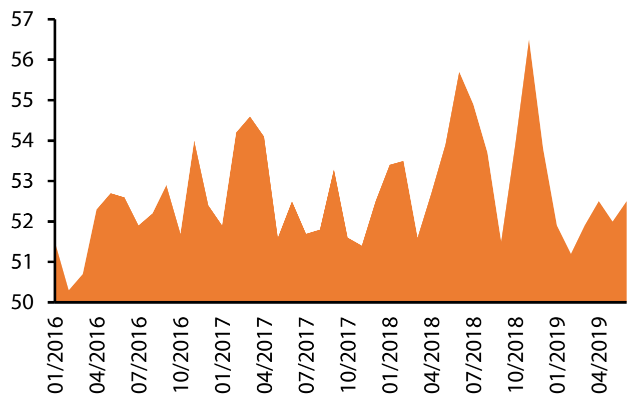
Source: Bloomberg, Rong Viet securities

VGB 10-year (%/year)



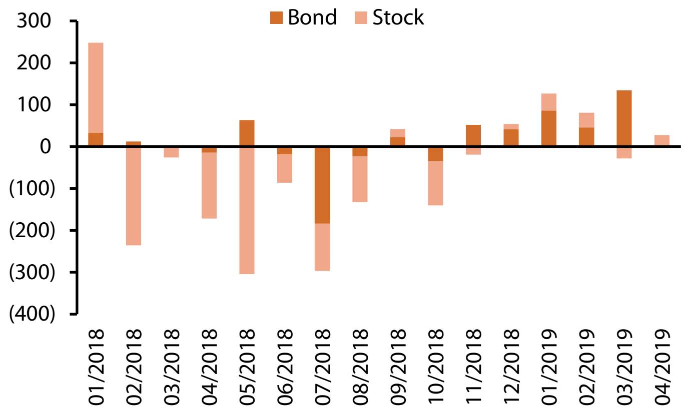
Source: Bloomberg, Rong Viet securities

PMI Vietnam



Source: Bloomberg, Rong Viet securities

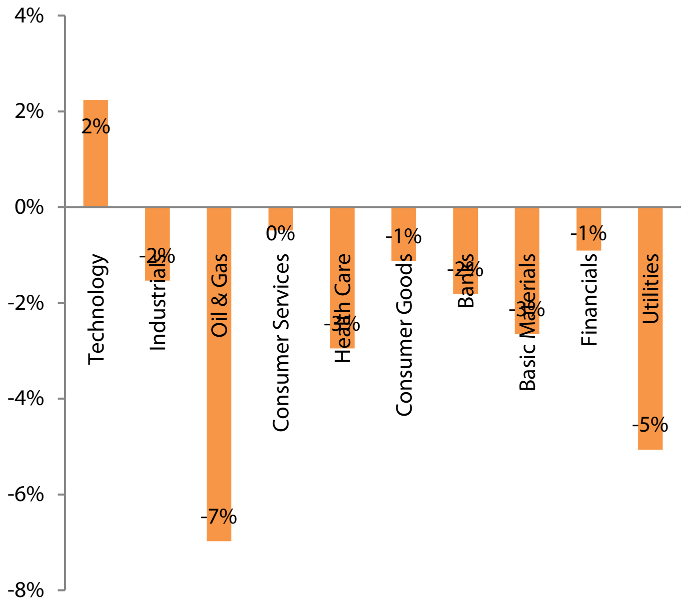
Portfolio investment flow (USD million)



Source: Bloomberg, Rong Viet securities

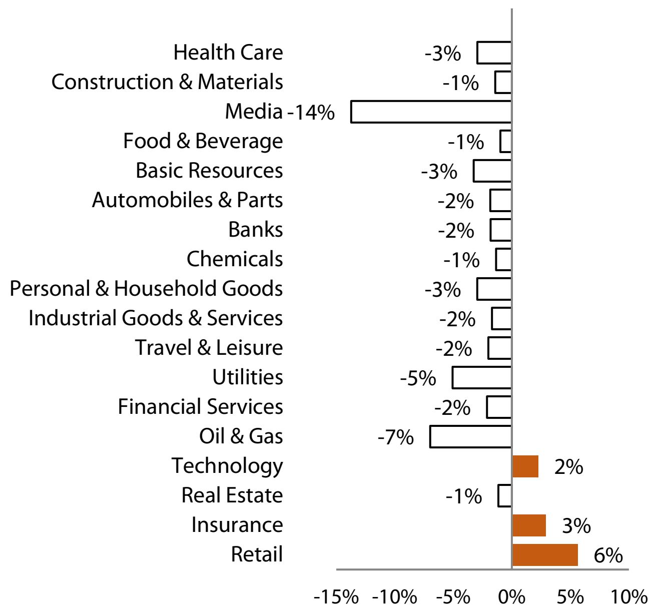
INDUSTRY INDEX

Level 1 industry movement



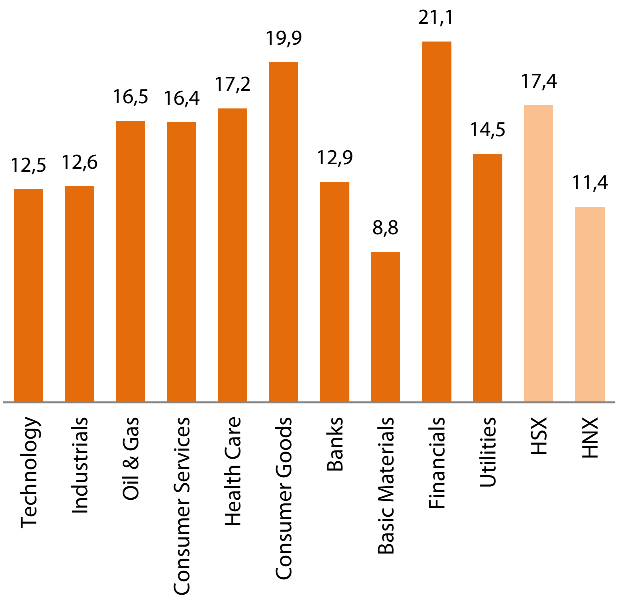
Source: Rong Viet Securities

Level 2 industry movement



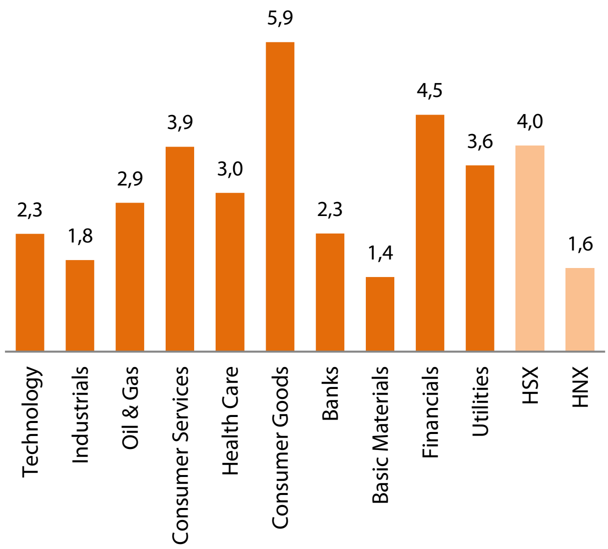
Source: Rong Viet Securities

Industry PE comparison



Source: Rong Viet Securities

Industry PB comparison



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