Investment Strategy April 2019

CASH IS KING!

At the end of last month, the market is focused on the fact that 3 months yielding more than 10 years. This is a predictor of a recession, which could happen in next 6 months to 24 months according to historical data.

We think a recession is unlikely in 2019. However, 2020 could be a year where economic numbers start really to show a slowdown. The US economy is running at full capacity. Globally, rate of growth have peaked in Europe and China. The latter is important because it has been the one driving marginal growth for a number of years. China has shown signs of slowing down. Even taking into account the Chinese New Year effects, economic data has been low this year.

In that context, we think investors should have a more cautious approach when investing in the equity market at this time.

In the past, AGM season usually does not have much influence on the market. In fact, market usually rally in the beginning of the year, and faced correction around April-May (with 2016 being the only exception)

Q1 earnings season will take place in May. The result of the trade negotiation between US – China, and OPEC meeting is scheduled in June. So besides AGM, not much to hope for in April. We expect VN-Index to fluctuate around 940-995 points. We suggest investor to keep a good portion of cash and wait for opportunity to buy at a more attractive price.

VN-Index performance every month since 2010 (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	2.03	6.02	1.58	.81								
2018	12.81	1.01	4.72	-10.58	-7.52	-1.08	-.46	3.47	2.79	-10.06	1.29	-3.67
2017	4.87	1.94	1.62	-.63	2.80	5.24	.91	-.10	2.77	4.08	13.45	3.61
2016	-5.83	2.59	.33	6.62	3.35	2.23	3.16	3.43	1.65	-1.45	-1.59	-.03
2015	5.58	2.86	-6.99	2.04	1.27	4.12	4.72	-9.07	-.37	7.95	-5.63	1.02
2014	10.28	5.38	.87	-2.29	-2.76	2.87	3.10	6.81	-5.95	.34	-5.70	-3.70
2013	15.97	-1.09	3.47	-3.37	9.25	-7.19	2.23	-3.89	4.22	.97	2.08	-.62
2012	10.36	9.19	4.10	7.42	-9.41	-1.59	-1.87	-4.45	-.87	-1.06	-2.73	9.50
2011	5.35	-9.64	-.05	4.11	-12.23	2.65	-6.21	4.69	.68	-1.59	-9.53	-7.65
2010	-2.59	3.10	.47	8.64	-6.44	-.06	-2.61	-7.86	-.12	-.42	-.23	7.32

Source: Bloomberg

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Please see penultimate page for additional important disclosure

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Low liquidity and foreign investors turning to be net selling are the negative points in the early of April 2019. In addition, without substantial information to come, we believe that Vietnam stock market will replicate the movement pattern of March, at least in the early weeks of April. For the remaining time, investors will react on news from AGM season as well as companies' 1Q 2019 business results. However, in general, we believe that cash flows into the stock market will become cautious because of not only external but also internal issues. They are money supply control and inflation risks. These things will gradually result in rising interest rate, which will not be a good news to high beta stocks. In such environment, the "buy low and sell high" strategy less likely offers a favorable return. Instead, investors can save purchasing power to accumulate stocks at bargain price as the market corrects.

We believe that stocks in sectors which business outlook will be bright in 2019 fishery (VHC) and textile should be considered. However, market price of most textile stocks rocketed in 1Q 2019, we recommend investors to realize profit if their price continue to strongly increase in April 2019. O&G stocks may offer short-term opportunities given the rising of oil price. Of note, the stock price hike does not mean that business result will be better in the short term. We anticipate that there will be a divergence in the bottom line in 1H2019. So holding PVS, PVD, whose net profit may be good, will be "safe" compared to the rest, especially when the oil price is forecasted to be well-performing thanks to the OPEC cut till June 2019.

For risk-averse investors, high dividend yield stocks will be proper choices, especially in highly volatile markets. Though we mentioned many high dividend yield stocks in previous strategy reports, market price of those stocks rallied quite strongly since the early months of this year (like PPC or IJC) making their dividend yields less attractive. Our pick for this month is GDT, which offers a sustainable dividend yield at 10 – 12% per annum.

Analysis of 57 stocks of Rong Viet Research, discussion with companies and specific evaluation in the "Company Report" or "Analyst Pinboard"

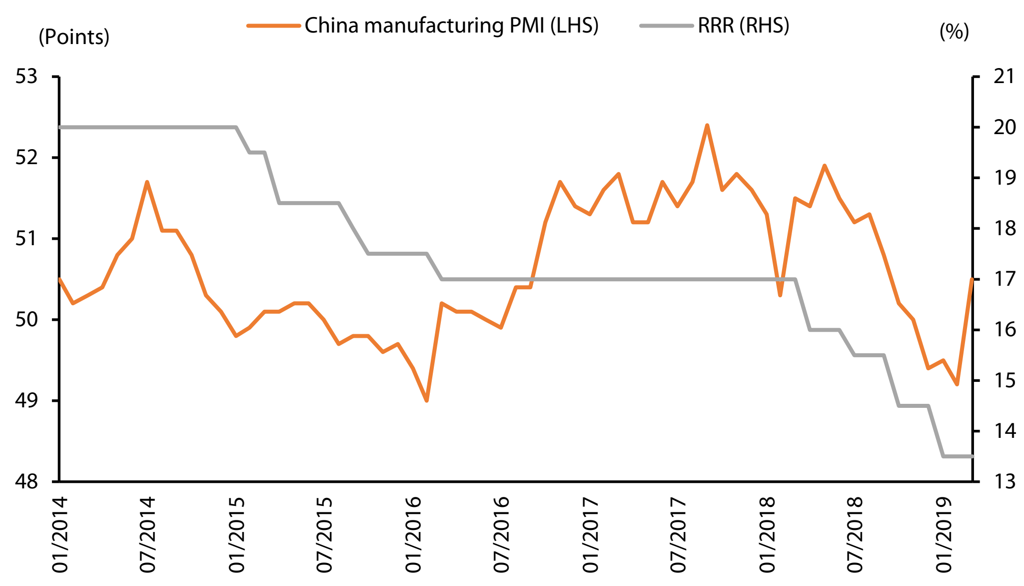
The first positive sign from China's economy

Markit Economics has, recently, published China's PMI, showing China's manufacturing industry has picked up from three months consecutive contraction (below 50). This is the first positive economic signal of China. In the Markit Economics survey, production subindex and new order subindex showed an improvement compared to previous month. The manufacturers in the survey also said they are willing to increase inventory. Notably, they are optimism about next year thanks to the Government's stimulus measures and positive information from US-China trade negotiations.

Even though PMI index got influenced by the Lunar New Year holiday in February, we still think that China's economy will recovery in the second half of the year due to its expansionary policies and the US-China negotiation. The Chinese government has implemented a VAT reduction program with a number of industries as part of the country's US$ 200 Bn enterprise cost-reduction package in April. Specifically, VAT applied to the manufacturing sector will decrease to 13% from 16%, construction and transportation sectors will decrease to 9% from 10%. Particularly in the service sector, the VAT remains at 6% but there will be separate deductions.

In term of monetary policy, the China's Central Bank (PBOC) said it would consider continuing to cut the required reserve ratio (RRR), if necessary, after four previous cuts. The last time the PBOC cut RRR was in 2015 when the economy decelerated. At that time, the PMI index was in a downtrend of 14 consecutive months. Although the current economic situation is different from that time as the world economy becomes more influenced by structural factors, such as geopolitics, demography, but these factors are still under control. Deceleration of economic growth is a predictable factor, but a high chance that the China's economy still grow at 6-6.5% as its target.

Figure 1: China's manufacturing PMI and RRR

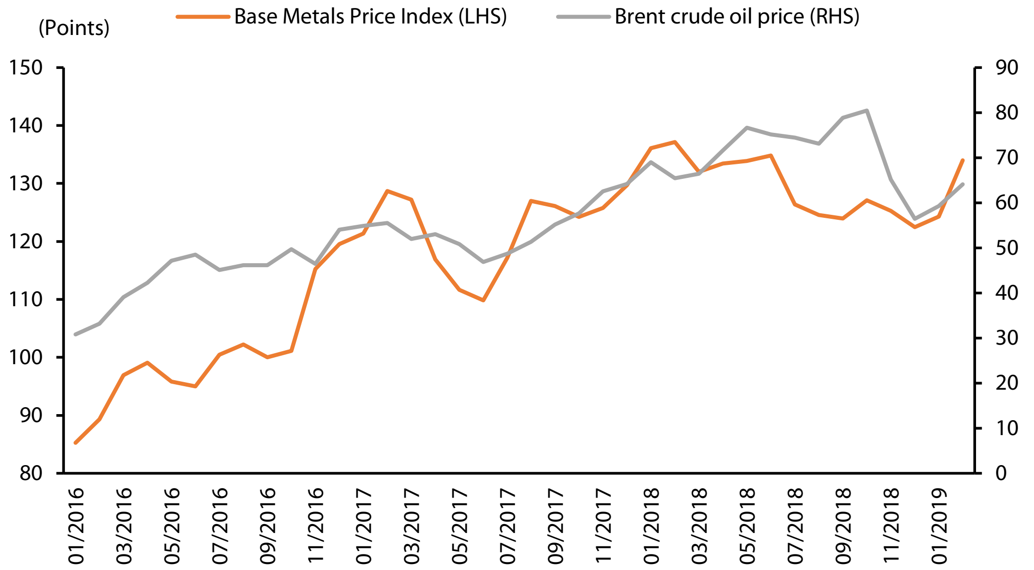


Source: Bloomberg, Rong Viet Securities

However, we still need more time to assess the economic health of China in particular and the world economy in general after a turbulent year. From central bank meetings around the world in March, most of them have come to same conclusion "no rush" in changing their current monetary policy. Stay put is the best approach for most central banks as the world economy remains uncertain. The central banks still feel good because of high liquidity in interbank market and low inflation, but they perceive that any major monetary policy change at this time will be risky. Therefore, they are likely to wait and see until June for further economic data release in 2nd quarter and the FED's meeting in June. Currently, bond investors are betting on the possibility that the US economy will be in recession in the next 6-24 months, which may lead to a global recession. Inversion yield curve – a warning for the world economy. However, whether this indicator is still meaningful for recession is really a tough question. In our opinion, in the next 12 months, the possibility of US contraction is low. (Refer here).

The progress in US-China negotiation and the US$200 Bn expansionary package in China will help to boost the world commodity market, especially in metals and oil industry. According to data from IMF, the basic metal commodity price index has increased nearly 10% YTD at the end of February; and this trend is likely to continue in the near future. According to a survey of Reuters, basic metals such as Copper, Aluminum, Zinc and Nickel will face a shortage of supply in the next two years. While in oil industry, the price of oil will continue to rise to the middle of the year due the US sanction on Iran and Venezuela and the OPEC's cut. This trend is similar to the first half of 2018. The OPEC will hold a meeting to evaluate the results of production cuts in June.

Figure 2: Commodity prices

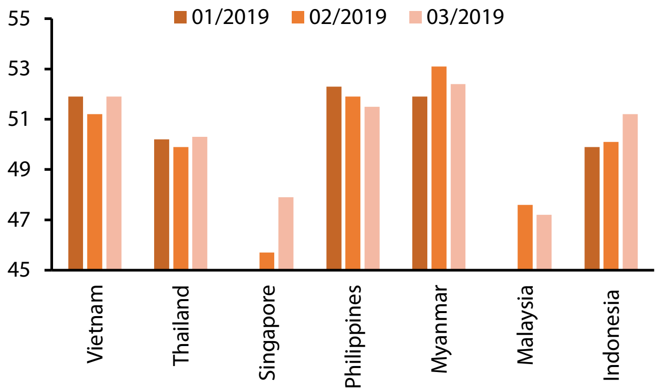


Source: IMF, Rong Viet Securities

Note: Basic metal price indexes include Aluminum, Cobalt, Copper, Iron Ore, Tin, Nickel, Molybdenum, Uranium, Zinc, Lead.

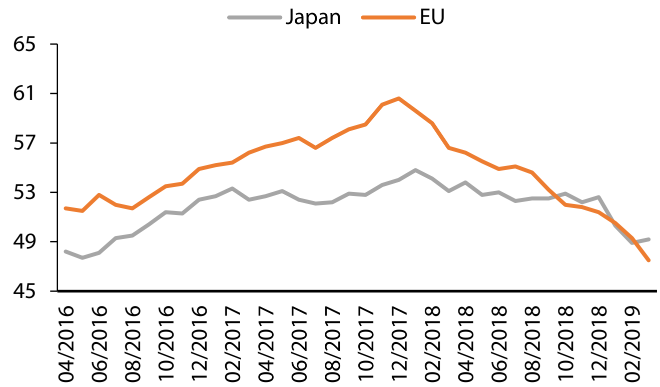
Global Macro Watch in March

ASEAN countries' PMI rebounded



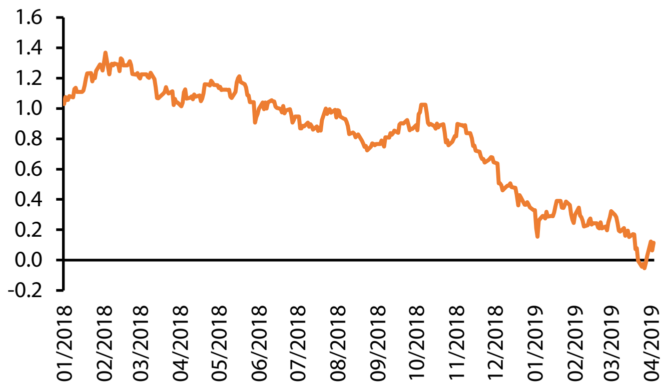
Source: Bloomberg, Rong Viet Securities

Japan's and EU's manufacturing PMI kept down



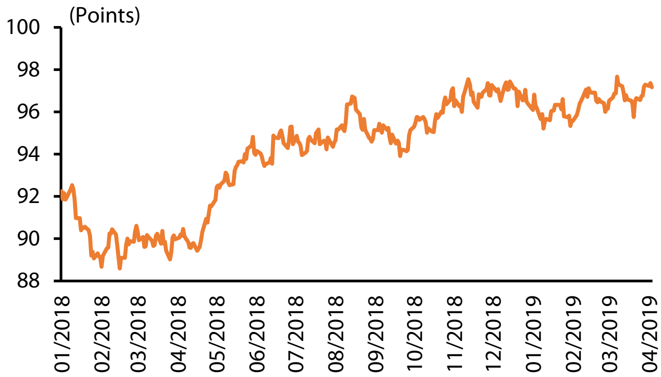
Source: Bloomberg, Rong Viet Securities

Gap between US 10Y and 3M bond yields



Source: Bloomberg, Rong Viet Securities

US Dollar rallied

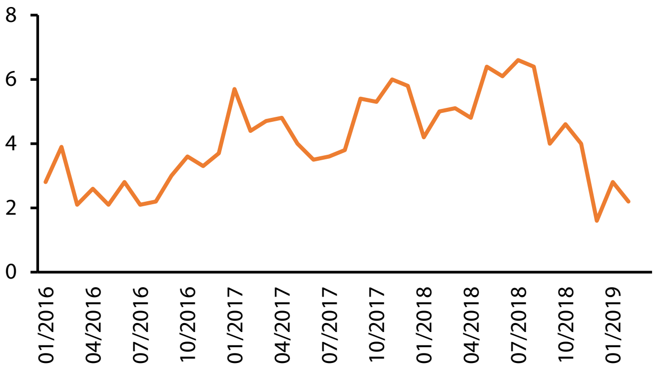


Source: Bloomberg, Rong Viet Securities

South Korea's export-import growth slowed down

Source: Bloomberg, Rong Viet Securities

US retail sales dropped



Source: Bloomberg, Rong Viet Securities

VIETNAM MACRO

- GDP growth slowed in the first quarter of 2019
- The agricultural sector shows signs of slowing down
- Export growth is significantly lower than import growth and nominal GDP growth
- Liquidity in the interbank market is not too abundant

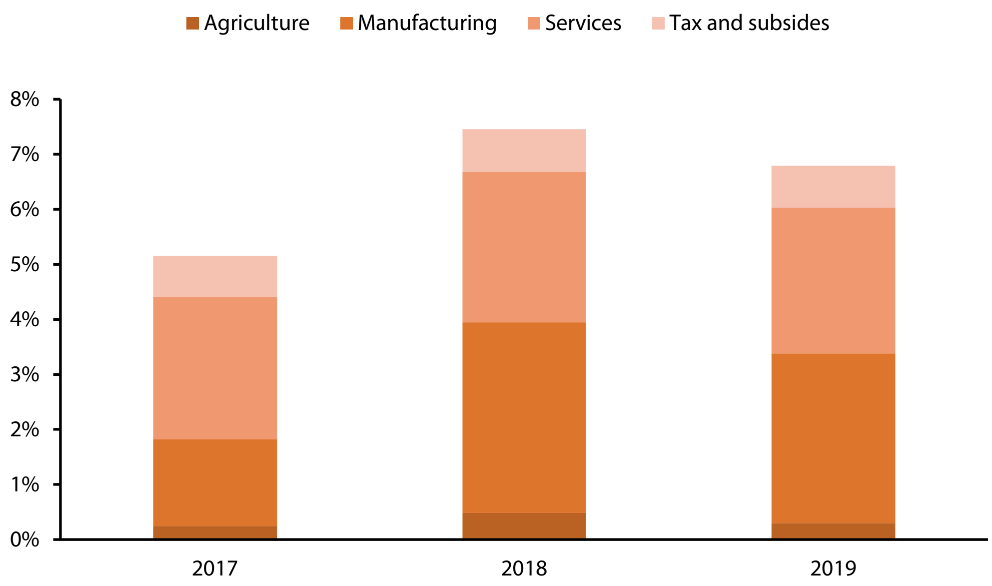
GDP growth slowed in the first quarter of 2019

Gross domestic product (GDP) is estimated to increase by 6.79% YoY in the first quarter of 2019, lower than the GDP growth rate of 1st Quarter 2018, 7.45%, but still higher than the GDP growth rate of 1st quarter of other previous years. Specifically, economic growth in agriculture, industry and services sectors reached 2.68% YoY, 8.63% YoY, and 6.5% YoY respectively.

Overall, we maintain an optimistic view on the of Vietnam's economy growth rate that is forecasted to reach 6.8% YoY, thanks to contribution of the domestic manufacturing sector. Meanwhile, GDP growth of 2nd quarter will likely to grow at the same pace as the 1st quarter. However, we would like to emphasize three main points about Vietnam's economy in the coming quarters.

1. The agricultural sector shows signs of slowing down
2. Export growth is significantly lower than import growth and nominal GDP growth
3. Liquidity in the interbank market is not too abundant

Figure 3: Contribution to GDP growth in 1st quarters



Source: GSO, Rong Viet Securities

Agriculture: Signs of growth slowed

The recovery of the agricultural sector has played an important role to the Vietnam's outstanding economic growth in the past two years. However, the question of whether this sector can keep up its speed as it is facing difficulties in both production and consumption.

In the Mekong Delta region, although the cultivated area of the Winter-Spring crop increased by 1.8% YoY, the productivity decreased to 6.74 ton per ha, a decrease of 2.7% YoY. Meanwhile, the export volume of rice in the first 3 months fell sharply, by 26% YoY, because there was not as many large export orders this year as the previous year. Recently, the State Bank has requested State-owned Commercial Banks to ensure loans for businesses to buy rice from farmers. Besides, the Government increases rice purchase to stock reserves.

For the livestock sector, the situation of pig production and consumption is also negatively affected by the Africa Swine fever. Although the output of pork for sale this year is still higher than the same period last year because low base in 1st quarter 2018 (due to price of pork fell sharply lead to many farmers left the industry), the farmers face a difficult to sell their hogs as consumers' concern on the fever. The price of pork has fallen deeply around the country, and the shortage of supply may occur in the upcoming quarters.

Export turnover of major agricultural products such as coffee, cashew nuts, and fruits has decreased in both quantity and price. China, a major importer of Vietnam's agricultural products, is tightening import standards with informal cross-border trade. This is quite unfavorable for Vietnam's goods in the current period.

Export growth is significantly lower than import growth and nominal GDP growth

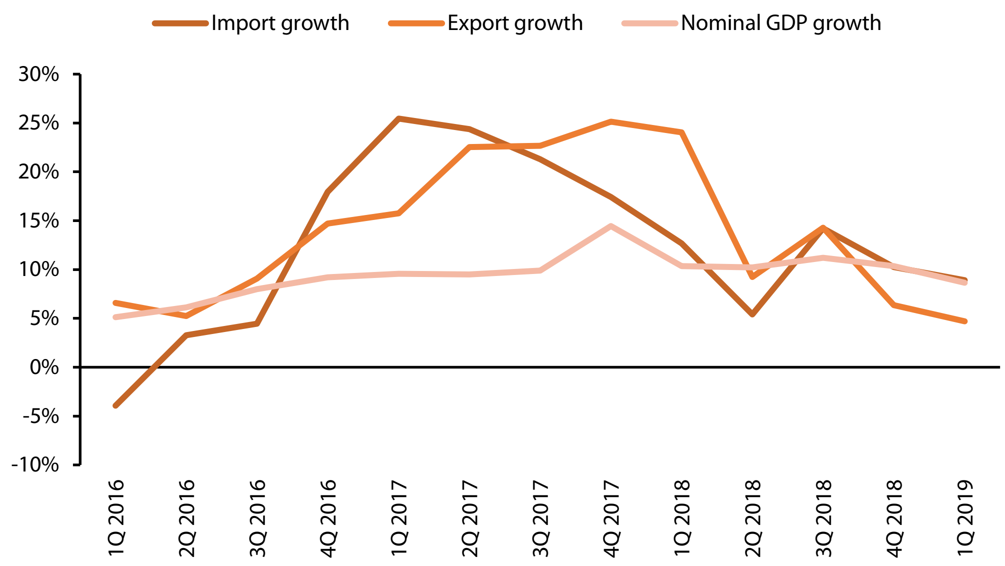
Until March 15th, Vietnam's export and import growth reached 8.9% YoY and 4.7% YoY, respectively, according to the General Department of Vietnam custom. Nominal GDP growth reached 9% YoY. As a country with a high degree of openness, export growth is significantly lower than import's and nominal GDP's implies two potential negative impacts on the trade balance and the real GDP growth.

Firstly, although Vietnam still recorded a surplus of US$0.5 Bn in the first 3 months of 2019, this figure was much lower than US$ 2.7 Bn of last year period. Textile and wood products are the biggest surplus export products of Vietnam this year compared to 2018. USD-denominated revenue from agricultural export decreased due to difficulties as mentioned above while exports of phones and components fell sharply. Export of phones and parts thereof to China dropped sharply, 69.1%, while this is the highest export turnover, accounting for 20.7%. If this situation does not improve, Vietnam's trade balance may switch to deficit from surplus

However, a sharp decline in export growth may not immediately affect the economic growth in 2019. The development of a series of projects in manufacturing sector is become the main driver for the growth. Specifically, the Nghi Son refinery project and the second furnace of Formosa began to contribute to the economic growth from June 2018, so they will contribute technically to GDP growth of 2nd quarter.

In addition, we expect public investment disbursement will accelerate in the next quarters. The Ministry of Transport estimates that it will allocate VND 14 Tn to provinces to complete land clearing in the second quarter. The Prime Minister allocated more than VND 332 Tn, 93.28% of year plan, by the end of February.

Figure 4: Export-import growth and nominal GDP growth



Source: Customs, GSO, Rong Viet Securities

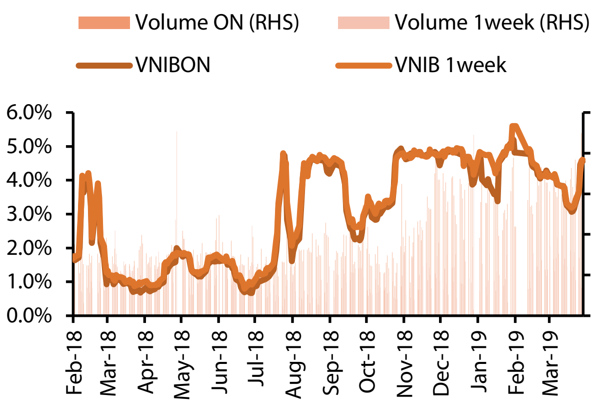
Liquidity in the interbank market is not too abundant

Since mid-March, the overnight rate has picked up dramatically after falling from the beginning of the year. Demand for borrowing on the interbank market is also quite high, maintaining over VND 50 Tn per day, the highest level in recent years. In general, over the past 6 months, this interest rate has continuously fluctuated above the threshold of 3% and has not shown signs of decline. According to data from GSO, the spread between money supply growth rate and credit growth rate is only 0.64%. Meanwhile, the Vietnam State Treasury planned to issue VND 73.5 and 260 Tn of government bond in Q1 and 2019 respectively. This is much higher than last year issuance.

Overnight rate will still move around 3-4% in 2nd quarter of 2019. However, we think that this movement is still under the control of the SBV. The authorities will stick with the cautious policy to control money supply in order to keep inflation under control as the prices of electric and oil has increased.

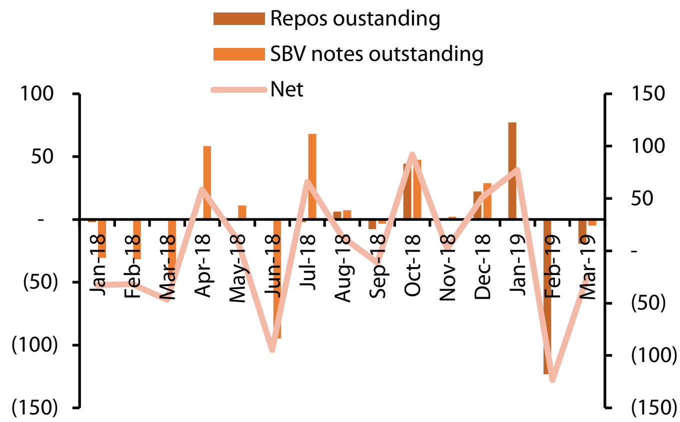
Besides, the above 3% of overnight rate for VND will create a safe spread for VND and USD overnight rate, which is currently about 2.45%. A positive spread helps the SBV to adjust the exchange rate. From the beginning of the year, pressure of exchange rate has declined as the exchange rate in free market and interbank market has cooled down. On the contrary, the SBV still adjusted the central exchange rate to create room, avoiding any dramatic rise in exchange rates in free market like in the past.

Figure 5: Interbank market (VND Tn)



Source: SBV, Rong Viet Securities

Figure 6: OMO (VND Tn)

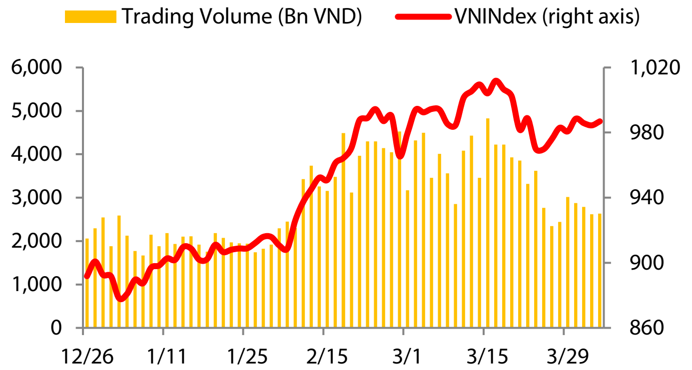


Source: SBV, Rong Viet Securities

VIETNAM'S STOCK MARKET IN MARCH: SHAKING

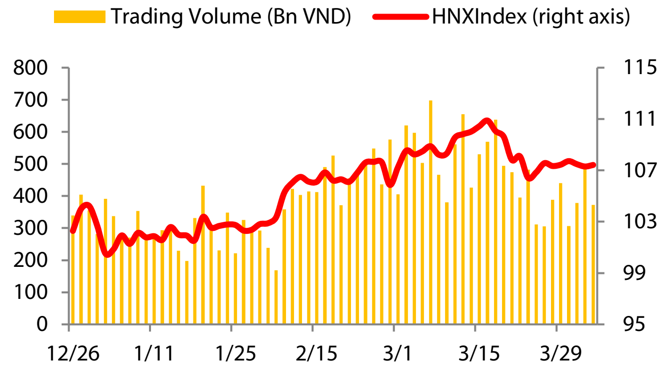
After the strong decline on the expiration date of the future contract (February 28th) and hitting the support level of 960, VN-Index rallied for two weeks with high liquidity before correcting with small liquidity for the rest of March. Lack of support from foreign investors, large-cap group suffered the strongest selling pressure. In the VN30 basket, there were 16 losers in March, compared to only six in February.

Figure 7: VNIndex movement in March



Source: Rong Viet Securities

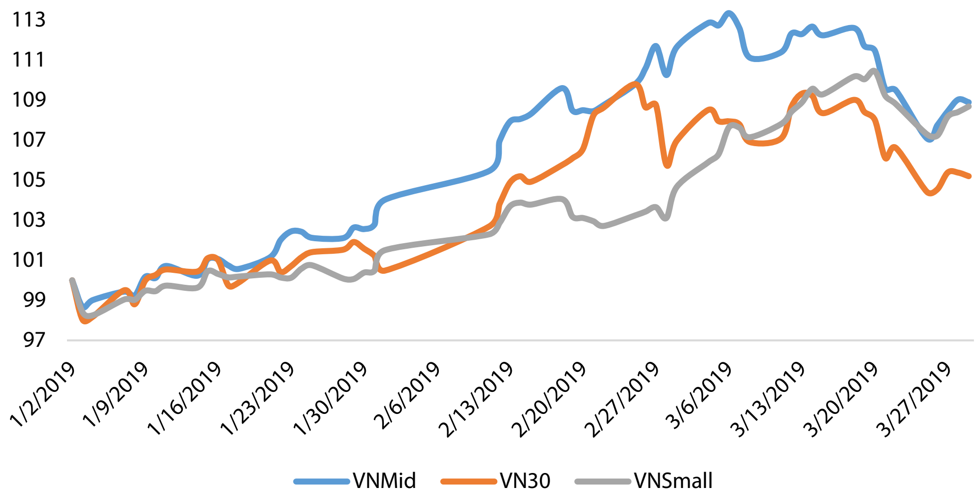
Figure 8: HNXIndex movement in March



Source: Rong Viet Securities

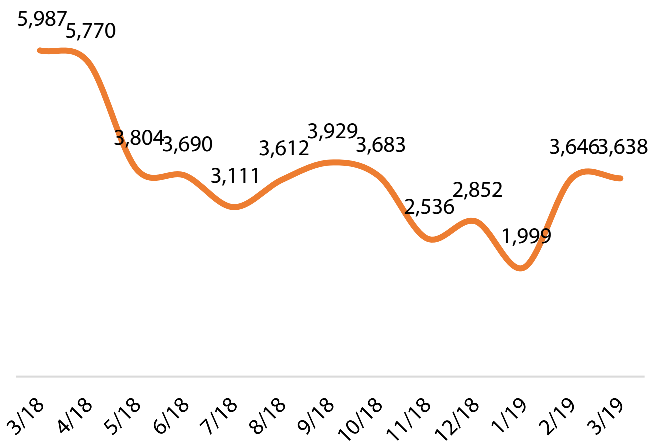
Small-cap stocks were the bright spot of the market in March when VNSML-Index increased by 5.4%, compared to the decrease of 0.5% and 1.2% of VN30-Index and VNMid-Index respectively. With large-cap stocks facing strong pressure, it seemed that retail investors were temporarily shifting to penny stocks to seek short-term profits.

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



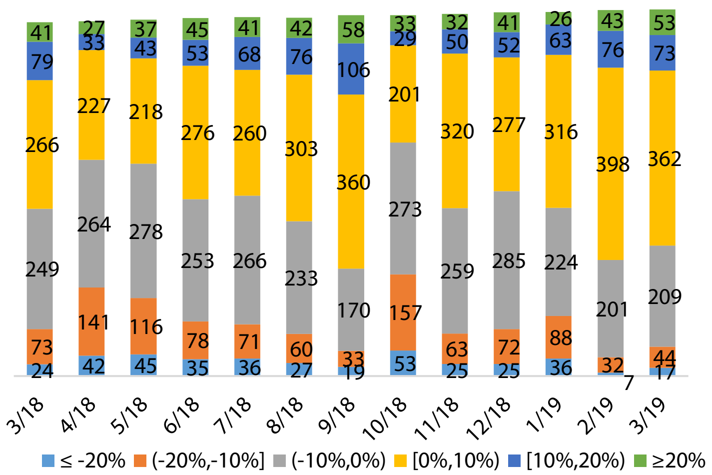
Sources: Fiinpro, Rong Viet Securities

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



Sources: Fiinpro, Rong Viet Securities

Figure 11: Number of stocks by performance



Sources: Fiinpro, Rong Viet Securities

Market reclassification has not yet come

In the FTSE's interim review at the end of March, Vietnam was retained in the watch list of possible upgrade from Frontier market to Secondary Emerging market along with two other countries, Argentina and Romania. Specifically, Vietnam was downgraded in three criteria by FTSE, including one mandatory criteria for a Secondary Emerging market. This is a disappointing result considering Vietnam already met all nine criteria in the last September review. Changes in criteria as follows:

Table 1: FTSE Quality of Markets

Criteria	Developed	Advanced Emerging	Secondary Emerging	Vietnam (9/2018 updated)	Vietnam (3/2019 updated)
Market and Regulatory Environment					
Formal stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)	X	X	X	**X**	**X**
Fair and non-prejudicial treatment of minority shareholders	X	X		RESTRICTED	RESTRICTED
No or selective incidence of foreign ownership restrictions	X	X		RESTRICTED	RESTRICTED
No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	X	X	X	**X**	**X**
Free and well-developed equity market	X	X		RESTRICTED	RESTRICTED
Free and well-developed foreign exchange market	X	X		RESTRICTED	RESTRICTED
No or simple registration process for foreign investors	X	X		RESTRICTED	RESTRICTED
Custody and Settlement					
Settlement - Rare incidence of failed trades	X	X	X	**X**	RESTRICTED
Custody-Sufficient competition to ensure high quality custodian services	X	X	X	**X**	**X**
Clearing & settlement - T+2 / T+3	X	X	X	**T+2**	**T+2**
Settlement - Free delivery available	X			NOT MET	NOT MET
Custody - Omnibus and segregated account facilities available to international investors	X	X		**X**	RESTRICTED
Dealing Landscape					
Brokerage - Sufficient competition to ensure high quality broker services	X	X	X	**X**	**X**
Liquidity - Sufficient broad market liquidity to support sizeable global investment	X	X	X	**X**	**X**
Transaction costs - implicit and explicit costs to be reasonable and competitive	X	X	X	**X**	**X**
Stock Lending is permitted	X			RESTRICTED	RESTRICTED

Short sales permitted	X			NOT MET	NOT MET
Off-exchange transactions permitted	X			RESTRICTED	NOT MET
Efficient trading mechanism	X			RESTRICTED	RESTRICTED
Transparency - market depth information/visibility and timely trade reporting process	X	X	X	**X**	**X**
Derivatives					
Developed Derivatives Market	X			NOT MET	RESTRICTED

Source: FTSE

Looking back at newly upgraded markets such as Kuwait, China A Shares and Saudi Arabia, , all three countries were added to the FTSE's watch list even when they were still not meeting all criteria and stayed in the list for many years. The upgrade announcement came right after they fulfilled the requirements. Vietnam has just spent six months in the watch list.

The opportunity is still wide open, specificially the upcoming September review. Earning the Emerging status is one of the top goals of the State Securities Commission this year. Therefore, the commissioners have the motivation to fulfill the "Settlement - Rare incidence of failed trades" criteria, and maintain the remaining eight key ones.

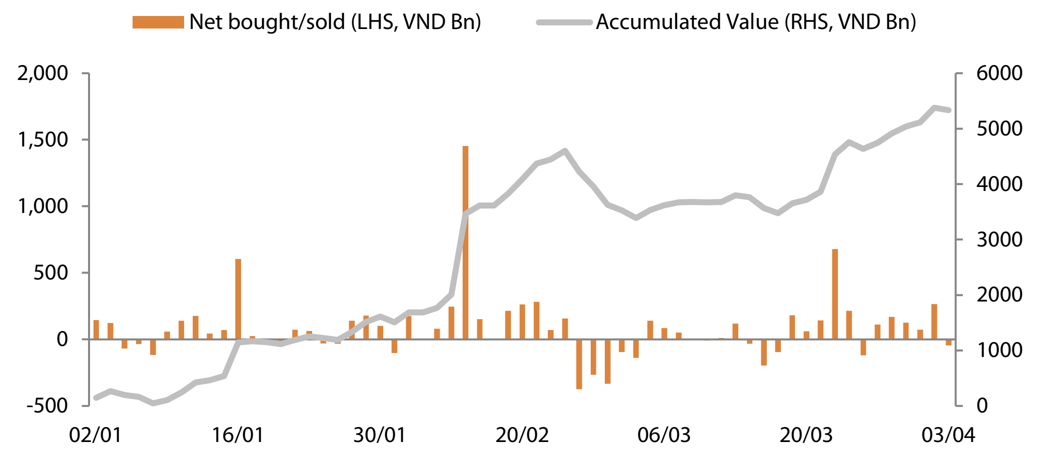
In the 2019 strategy report issued in December 2018, we calculated the impact on foreign capital into Vietnam stock market in the case of FTSE reclassification. Accordingly, there would be approximately USD 300 mn of passive inflows into the equity market via Index benchmarked funds.

Foreign investors trading

Foreign investors net bought VND 1.4 tn in March, focusing on VFMVN30 certificate (VND 821 bn), CTG (VND 476 bn) and VCB (VND 453 bn). On the other side, VNM (VND 732 bn) and VJC (VND 491 bn) were the top net sold stocks.

Via order matching on HOSE, after net buying of VND 1,300 bn in February (the highest in the last 12 months), foreign investors net bought of only VND 165 bn in March.

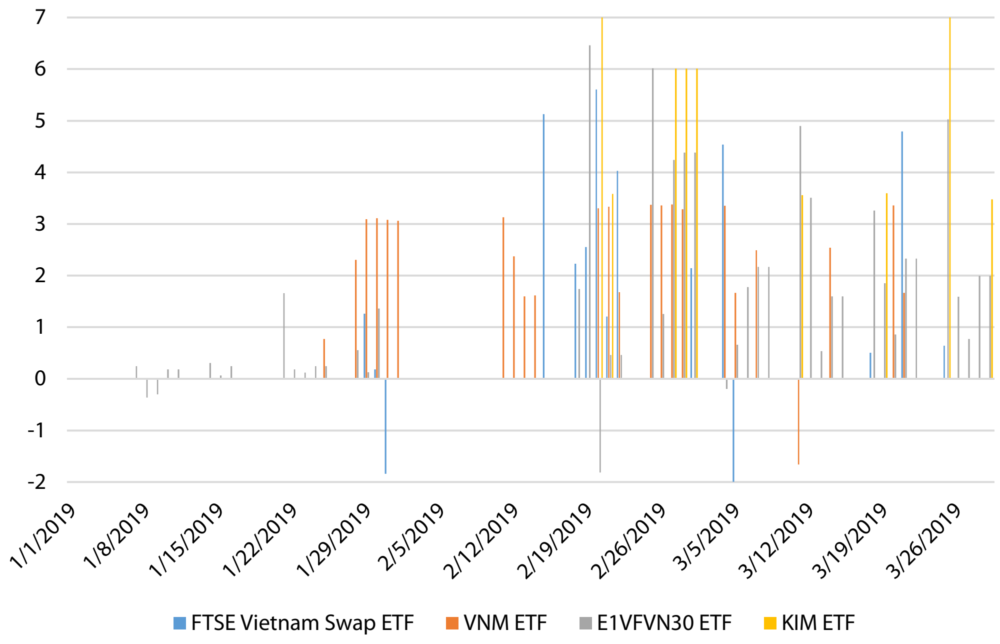
Figure 12: Net trading value of foreign investors



Sources: Fiinpro, Rong Viet Securities

Although on-exchange trading slowed down, foreign money into ETF funds was still abundant. In addition to VND 821 bn VFMVN30 ETF certificates net bought by foreigners on HOSE, there was also VND 1,200 bn foreign capital injected through three ETF funds: FTSE ETF, VNM ETF and KIM ETF. Therefore, there was about VND 2,000 bn of foreign capital flowed into Vietnam stock market via these four ETF funds in March.

Figure 13: ETFs' issuance value (USD mn)



Sources: Bloomberg, Rong Viet Securities

Table 2: 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	9,943	417	4,628	107
Chemicals	-1,962	-37	-258	0
Basic resources	1,722	144	-574	-10
Construction and building	-5,205	45	-4,621	-59
Industrial goods & services	4,115	114	19,716	393
Automobile & parts	1,879	26	-4	-0
Food & beverage	-7,428	-610	-618	-10
Personal & household goods	-247	-15	-662	-16
Healthcare	-2,806	-244	120	4
Retail	-187	-8	-1	-0
Communication	-1,309	-160	-374	-6
Travel & leisure	-3,720	-448	86	2
Utilities	3,037	294	61	0
Bank	25,525	909	5,542	42
Insurance	197	12	-79	-2
Real estate	-27,188	-373	519	4
Financial services	58,581	926	-212	-19
Technology	-948	-9	-106	-1

Sources: FiinPro, Rong Viet Securities

Market requires a more cautious approach

Inverted yield curve – a predictor of a recession

In 2018 we have witnessed the inversion between US 5 years and 2 years, then between 10 years and 2 years. At the end of last month, the market is focused on the fact that 3 months yielding more than 10 years. This is a predictor of a recession, which could happen in next 6 months to 24 months according to historical data.

We think a recession is unlikely in 2019. However, 2020 could be a year where economic numbers start really to show a slowdown. The US economy is pretty much running at full capacity. Globally, rate of growth have peaked in Europe and China. The latter is important because it has been the one driving marginal growth for a number of years. China has shown signs of slowing down. Even taking into account the Chinese New Year effects, economic data has been low this year.

In that context, we think investors should have a more cautious approach when investing in the equity market at this time.

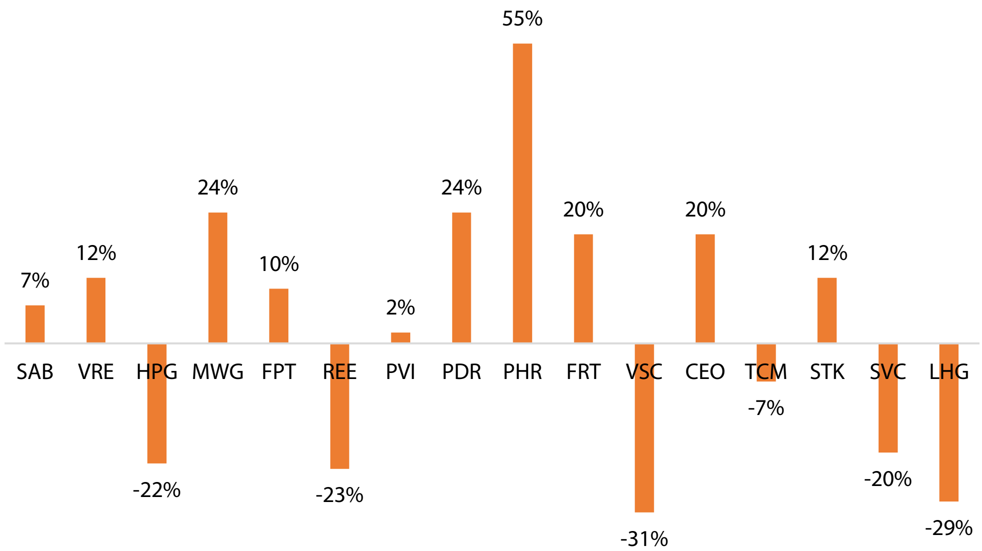
Foreign investors and ETF movement to watch

Although Vietnam market did not make it to the Secondary Emerging market list during the FTSE review last month, foreign capital (with a big part of it come from ETFs) still very active. Those capital has been the big support for the market since the beginning of this year. It is hard to predict the flow of the ETFs, thus we can only recommend investor to monitor it closely. Historical data shows that when these funds were withdrawn strongly, VN-Index entered the correction phase.

News about AGMs will be the main spotlight

AGM news may have effect on individual stories. A high target for 2019, an unexpected high dividend, or a plan of state divestment could support the stock price considerably.

Figure 14: Growth of NPAT target 2019 versus NPAT actual 2018 of several companies



Source: Fiin Pro

In the past, AGM season usually does not have much influence on the market. In fact, market usually rally in the beginning of the year, and faced correction around April-May (with 2016 being the only exception)

Figure 15: VN-Index performance every month since 2010 (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	2.03	6.02	1.58	.81								
2018	12.81	1.01	4.72	-10.58	-7.52	-1.08	-.46	3.47	2.79	-10.06	1.29	-3.67
2017	4.87	1.94	1.62	-.63	2.80	5.24	.91	-.10	2.77	4.08	13.45	3.61
2016	-5.83	2.59	.33	6.62	3.35	2.23	3.16	3.43	1.65	-1.45	-1.59	-.03
2015	5.58	2.86	-6.99	2.04	1.27	4.12	4.72	-9.07	-.37	7.95	-5.63	1.02
2014	10.28	5.38	.87	-2.29	-2.76	2.87	3.10	6.81	-5.95	.34	-5.70	-3.70
2013	15.97	-1.09	3.47	-3.37	9.25	-7.19	2.23	-3.89	4.22	.97	2.08	-.62
2012	10.36	9.19	4.10	7.42	-9.41	-1.59	-1.87	-4.45	-.87	-1.06	-2.73	9.50
2011	5.35	-9.64	-.05	4.11	-12.23	2.65	-6.21	4.69	.68	-1.59	-9.53	-7.65
2010	-2.59	3.10	.47	8.64	-6.44	-.06	-2.61	-7.86	-.12	-.42	-.23	7.32

Source: Bloomberg

Q1 earnings season will take place in May. The result of the trade negotiation between US – China, and OPEC meeting is scheduled in June. So besides AGM, not much to hope for in April. We expect VN-Index to fluctuate around 940-995 points. We suggest investor to keep a good portion of cash and wait for opportunity to buy at a more attractive price.

Cash is king!

Low liquidity and foreign investors turning to be net selling are the negative points in the early of April 2019. In addition, without substantial information to come, we believe that Vietnam stock market will replicate the movement pattern of March, at least in the early weeks of April. For the remaining time, investors will react on news from AGM season as well as companies' 1Q 2019 business results. However, in general, we believe that cash flows into the stock market will become cautious because of not only external but also internal issues. They are money supply control and inflation risks. These things will gradually result in rising interest rate, which will not be a good news to high beta stocks.

In such environment, the "buy low and sell high" strategy less likely offers a favorable return. Instead, investors can save purchasing power to accumulate stocks at bargain price as the market corrects. Following are some of our ideas that investors can take a look at.

VHC

As rating in our 2019 strategy report, fishery (especially pangasius) is among sectors which we believe will have bright prospect in 2019. We retain that view due to: (1) Fishery's 1Q2019 GDP gained 5.1% YoY, which is the highest growth during the last nine years of this sector. At the same time, pangasius export value grew 17% YoY. Four major markets including US, China – HongKong, EU and ASEAN; (2) Raw material price has slightly decreased since December 2018, and heavily slumped in March 2019, which will be a temporary positive impact for cost of manufacturing firms. The impact, however, will inverse if the input price increases; and (3) For official import fishery into China, VAT rate will decrease to 9% (from 10%).

Among fishery stocks, we prefer VHC because we expect that VHC's profit margin will be slightly higher than that of 1Q 2018 due to lower input price and high export price (to the US) in short-term. In the long-term, its enhanced self-farming capacity will ease the adverse effects from the fluctuation of material prices on production costs. Moreover, VHC will boost its export to China as a strategy to minimize the strong competition it may face in the US market in case the new anti-dumping tax rates for Vietnamese pangasius (announced on 19 April 2019) benefit other Vietnamese companies. Our target for VHC is VND123,500, 37% higher than its current market price. Therefore, we recommend BUY for the stock.

REE

REE is currently the top pick in our power coverage for long-term investment. In power and water utilities segment, REE owns a portfolio of high-quality assets, which generates sustainable cash dividend with annual yield of 9% - 10% for the company and contributes up to 61% of REE's total NPAT. In the coming years, we see that many power and water firms in this portfolio still have ample earnings growth potential, as some of them are raising their operating capacities while some of others are reducing financial leverage, thus improving net financial income.

In addition, office-leasing segment is another "cash-cow" of the holding. Accounting for over 20% of REE's annual profits, the segment is having a massive expansion plan with 22% CAGR of total leasable area in 2017 – 2022 period, corresponding for 30,000 sqm annually. REE's office business also has a strong sales track record when it often takes less than a year for a new building to be fully occupied.

Regarding market valuation, REE stock currently is trading at 0.95x forward P/B ratio, which we consider quite "cheap" for its high quality assets. In fact, utilities segment and office leasing segment, with 2018 earnings yields of 15.6% and 23.8% respectively, are the strongest evidence for our belief that book value of the company is still far below the intrinsic value of REE. Therefore, we have BUY recommendation on REE stock at target price of 48,400 VND/share.

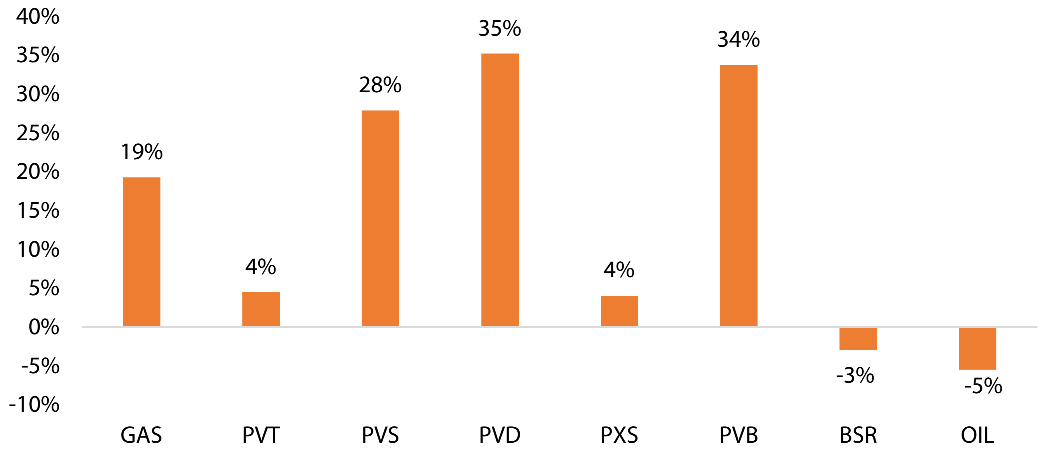
GDT

For risk-averse investors, high dividend yield stocks will be proper choices, especially in highly volatile markets. Though we mentioned many high dividend yield stocks in previous strategy reports, market price of those stocks rallied quite strongly since the early months of this year (like PPC or IJC) making their dividend yields less attractive. Our pick for this month is GDT, which offers a sustainable dividend yield at 10 – 12% per annum. The company manufactures wooden kitchenware, household utensils and kid toys. This is a niche market, big sized but very fragmented. Accordingly, there is always room for growth at a sustainable rate. During 2009 – 2018, GDT's CAGR revenue and net profit were 9% and 13% respectively, while its ROE improved from 25% in 2009 to 35% in 2018.

O&G

Brent price has been increasing by 30% YTD thanks to the significant cut from OPEC with the leader Arab Saudi. This member has been lowering its production from 11 mbpd (Nov 2018) to 9.8 mbpd (Mar 2019). Besides, the falling volume from Venezuela (an economic and political issue) and Iran (US sanction) have also contributed to the recovery of the crude oil. Following that, the Oil&Gas stocks have been jumped strongly from 4% to 35% since early 2019 and mainly from the upstream companies like PVS, PVD, PXS and PVB, showing high market's expectation on these stocks as the main Oil&Gas projects will be likely to break ground.

Figrue 16: Price change of Oil&Gas stocks since early 2019



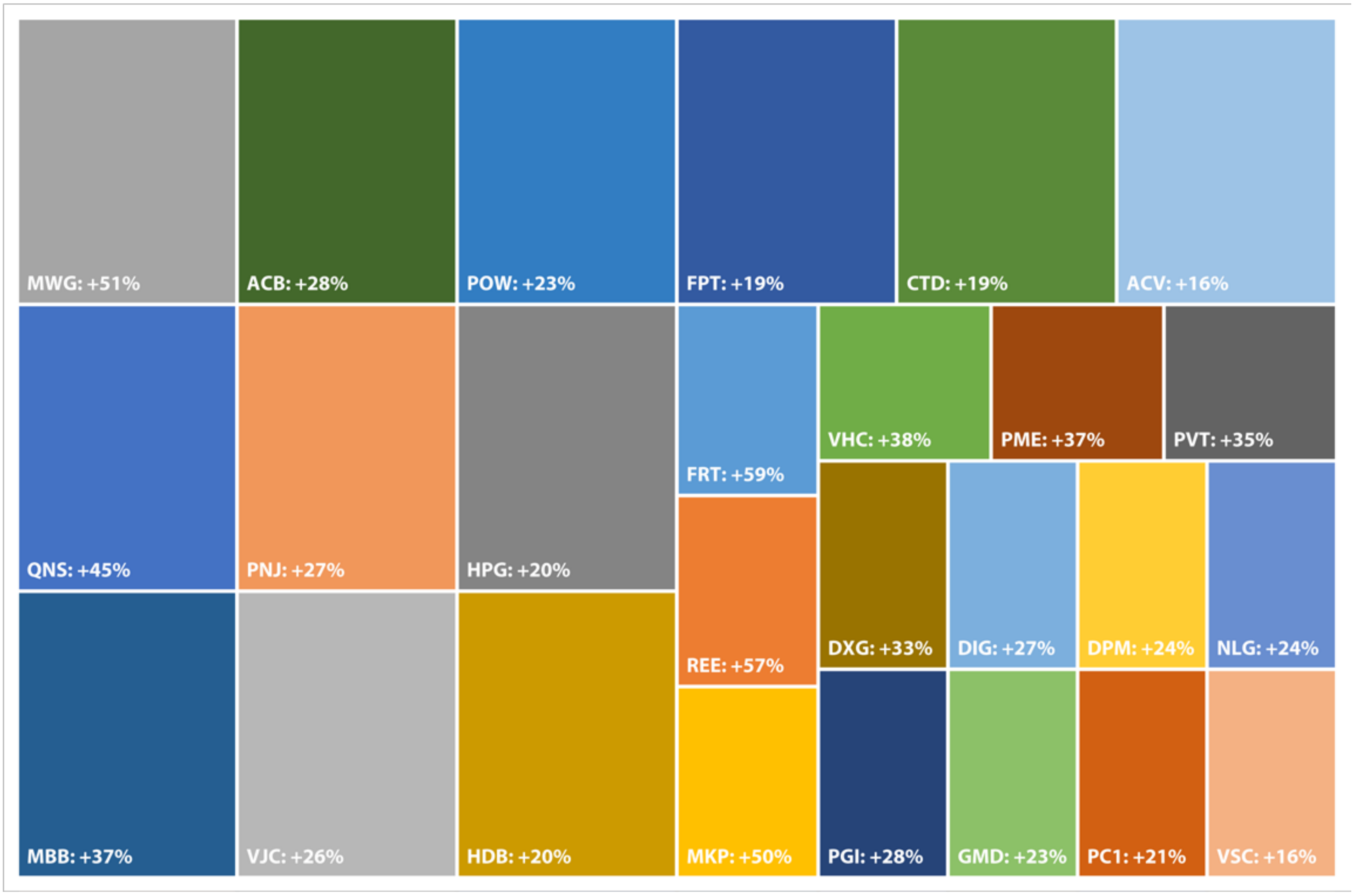
Source: Rong Viet Securities

Of note, the stock price hike does not mean that business result will be better in the short term. We anticipate that there will be a divergence in the bottom line in 1H2019. So holding PVS, PVD, whose net profit may be good, will be "safe" compared to the rest, especially when the oil price is forecasted to be well-performing thanks to the OPEC cut till June 2019.

Textile

Given the sector's positive business performance, textile stocks rocketed in 1Q 2019 such as MSH (+24% YTD), STK (+61% YTD), TNG (+38% YTD) and TCM (+39% YTD). Our top pick in March, STK, rallied 22% mom and reached our target price within March. Although the company has operated with full capacity in 2018, its 2019 growth driver is profit margin improving as it will increase proportion of high-quality recycled yarn. It should be noted that STK's profit margin also positively correlates with oil price. Therefore, if the momentum of oil price can maintain in 2Q 2019, STK's price can move to even higher than our target price. However, we think it is not a material information that can help STK to keep sustainable high profit margin. Therefore, we deserve STK's target price at VND22,300. Investors should consider to realize profit if STK's price increases further in April.

Figure 17: Our favorite stocks in April 2019



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

HIGHLIGHTED STOCKS

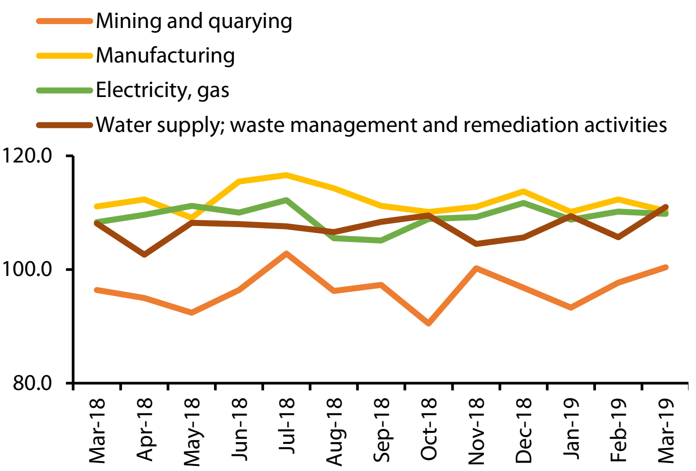
Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2018		2019F		2020F		PER Trailing (x)	PER 2019F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
ACB	HNX	1,620	38,800	30,200	28.5	Buy	22.7	142.5	12.6	15.4	10.3	14.1	7.3	6.5	1.8	0.0	-29.3	3,870	0.0
ACV	UPCOM	7,799	95,300	83,000	16.3	Accumulate	-5.5	-18.1	28.8	66.6	13.2	18.3	29.2	29.4	5.9	1.4	-14.4	383	45.4
AST	HOSE	109	74,500	70,400	10.8	Accumulate	108.0	236.1	12.8	27.3	17.7	19.5	15.7	15.2	4.6	5.0	-8.4	198	19.9
BFC	HOSE	61	26,800	25,000	9.2	Accumulate	6.1	0.2	2.7	-30.9	0.9	-1.0	7.4	8.1	1.5	2.0	-17.9	156	34.9
BID	HOSE	5,191	35,000	35,300	1.1	Neutral	14.0	8.4	23.4	24.8	6.5	14.6	16.4	17.9	2.3	2.0	-21.2	2,064	26.8
CHP	HOSE	137	29,000	23,000	32.6	Buy	32.5	59.2	130.7	N/A	14.2	15.0	33.2	8.2	1.8	6.5	6.6	19	45.6
CTD	HOSE	463	163,600	140,900	18.9	Accumulate	30.7	16.2	10.8	-6.4	2.9	2.9	7.1	8.0	1.3	2.8	-1.0	833	1.7
CTG	HOSE	3,523	24,300	22,000	10.5	Accumulate	-11.9	-27.1	35.8	16.2	11.3	3.5	15.1	16.3	1.2	0.0	-38.7	5,522	0.0
DHG	HOSE	675	83,000	120,000	-28.3	Sell	7.4	-9.5	-2.7	6.6	7.5	9.1	24.0	25.5	5.0	2.5	8.6	2,068	56.5
DIG	HOSE	199	19,500	15,400	26.6	Buy	68.4	31.7	-9.2	26.5	162.8	37.0	12.2	11.5	1.2	0.0	-32.5	773	11.6
DPM	HOSE	316	22,400	18,800	24.5	Buy	0.9	-39.1	16.0	-3.9	1.0	32.2	10.5	13.0	0.9	5.3	-4.4	520	26.1
DRC	HOSE	113	24,300	22,050	14.7	Accumulate	0.0	0.1	8.5	20.9	3.7	14.3	18.6	17.1	1.7	4.5	-25.1	344	25.9
DXG	HOSE	339	30,063	22,550	33.3	Buy	14.9	39.8	-18.3	3.2	78.4	33.8	6.6	6.4	1.6	0.0	-32.0	1,358	0.5
FPT	HOSE	1,261	55,000	47,800	19.2	Accumulate	8.0	47.0	-36.1	1.1	13.0	21.2	11.2	10.0	2.4	4.2	-6.5	1,675	0.0
FRT	HOSE	158	84,000	54,000	59.3	Buy	21.0	40.0	52.2	63.1	16.6	23.3	10.6	8.3	3.2	3.7	0.0	72	0.2
GMD	HOSE	337	32,000	26,400	23.1	Buy	4.9	29.3	3.9	-72.1	9.8	31.8	4.2	15.6	1.3	1.9	-7.0	1,118	0.0
HAX	HOSE	26	20,000	17,300	24.3	Buy	33.1	8.1	19.8	11.3	10.2	16.0	6.1	5.5	1.3	8.7	-25.9	84	36.8
HDB	HOSE	1,232	34,000	29,200	19.9	Accumulate	38.5	136.6	53.7	104.0	17.2	66.5	10.1	8.0	1.8	3.4	-34.9	1,959	3.9
HDG	HOSE	173	38,500	42,400	-8.0	Reduce	14.1	-16.0	93.2	31.8	27.9	40.1	6.1	5.0	2.2	1.2	1.0	614	33.3
HPG	HOSE	2,960	38,900	32,400	20.1	Buy	23.0	10.3	29.5	22.7	9.2	49.1	8.0	6.8	1.7	0.0	-23.1	7,124	9.1
IMP	HOSE	108	53,000	50,800	7.9	Accumulate	15.4	16.0	21.0	26.1	14.7	8.8	18.1	19.2	1.7	3.5	-7.7	60	0.8
KBC	HOSE	301	15,900	14,900	6.7	Accumulate	98.8	27.9	-4.5	-11.5	-6.2	-0.2	9.4	10.6	0.8	0.0	2.8	1,865	28.7
LTG	UPCOM	87	29,500	24,900	18.5	Accumulate	4.6	-8.1	4.5	3.9	3.6	4.0	4.9	5.5	0.8	0.0	-21.8	39	5.2
MBB	HOSE	2,059	30,500	22,650	37.3	Buy	40.9	68.3	23.7	28.4	18.9	24.4	7.8	6.5	1.5	2.6	-26.2	4,898	0.0
MKP	UPCOM	56	81,900	55,600	50.0	Buy	8.3	-4.2	-13.5	-16.5	-0.6	13.5	12.9	15.5	1.1	2.7	-17.2	4	1.5
MSH	HOSE	109	56,000	53,000	13.2	Accumulate	9.7	17.1	10.3	9.8	13.5	4.4	6.8	6.9	2.7	7.5	0.0	125	45.7
MWG	HOSE	1,591	125,000	83,500	51.5	Buy	30.0	30.5	22.7	23.2	25.6	23.6	12.5	11.0	4.1	1.8	7.6	3,003	0.0
NCS	UPCOM	28	30,000	36,000	-13.9	Reduce	15.4	24.2	6.8	-17.0	6.9	7.7	13.9	17.7	2.8	2.8	-21.5	3	47.3
NKG	HOSE	62	8,900	7,950	24.5	Buy	18.9	-92.0	5.3	68.4	15.9	175.0	25.2	18.4	0.5	12.6	-63.9	194	57.6
NLG	HOSE	284	34,258	27,650	23.9	Buy	24.8	55.0	-8.2	16.8	-18.3	42.4	7.5	7.4	1.4	0.0	-21.1	852	0.0
NT2	HOSE	332	27,100	26,800	6.7	Accumulate	13.4	-3.5	-0.2	-2.9	2.6	2.9	9.9	10.5	2.1	5.6	12.3	345	25.9
OIL	UPCOM	616	18,232	13,800	32.1	Buy	52.0	-13.6	-2.0	-8.6	7.0	1.6	39.5	32.0	1.5	0.0	-31.9	224	43.1
PAC	HOSE	77	38,000	38,350	5.6	Accumulate	12.7	-42.6	9.6	11.4	10.8	7.5	11.3	10.2	3.0	6.5	-8.1	20	20.8
PC1	HOSE	136	28,200	23,800	20.6	Buy	60.5	90.0	18.2	-7.8	-3.1	21.7	6.8	8.0	1.0	2.1	-14.5	154	11.0
PGI	HOSE	63	20,000	16,500	28.5	Buy	3.4	15.6	4.8	20.1	4.3	9.9	10.3	10.8	1.0	7.3	-5.0	5	28.3
PHR	HOSE	311	30,200	53,300	-39.6	Sell	40.4	48.5	-9.4	211.4	8.8	-15.0	11.4	8.7	2.8	3.8	113.7	1,200	41.0

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 (%)							
PME	HOSE	188	78,100	58,400	37.2	Buy	7.6	19.7	23.0	28.8	15.0	6.8	14.2	12.0	2.5	3.4	-18.8	8	37.9
PNJ	HOSE	725	126,000	101,000	26.5	Buy	33.0	32.5	30.3	34.6	27.6	27.4	17.1	14.0	4.5	1.8	-23.2	1,109	0.0
POW	UPCOM	1,536	18,400	15,250	22.6	Buy	5.3	107.8	20.5	39.5	2.7	5.8	19.8	13.2	1.5	2.0	0.0	2,026	34.1
PPC	HOSE	350	23,000	25,400	0.4	Neutral	14.1	35.3	-0.5	-24.4	3.6	9.4	7.3	9.8	1.4	9.8	55.6	650	34.4
PVS	HNX	452	23,800	22,000	11.4	Accumulate	-10.5	-22.9	-9.4	19.3	2.3	13.1	10.0	11.1	0.9	3.2	22.7	2,982	22.9
PVT	HOSE	199	21,200	16,400	35.4	Buy	-9.0	0.7	39.3	49.1	-5.8	-10.7	7.1	8.1	1.1	6.1	-18.7	353	15.5
QNS	UPCOM	528	60,200	42,000	44.5	Buy	9.6	-27.9	17.1	33.0	4.1	-1.8	9.9	7.7	2.3	1.2	-9.1	488	36.7
REE	HOSE	423	48,400	31,750	57.5	Buy	36.5	26.0	11.2	-1.6	12.7	11.3	5.5	5.3	1.1	5.0	-14.9	839	0.0
SCS	UPCOM	393	157,000	160,000	2.5	Neutral	18.6	40.5	27.7	37.5	21.6	26.2	22.0	18.1	11.2	4.4	0.0	281	26.8
SHP	HOSE	91	25,400	22,500	19.6	Accumulate	20.3	88.9	-5.8	-14.9	3.0	19.4	11.2	13.4	1.7	6.7	5.4	15	44.0
STK	HOSE	72	22,300	24,000	-0.8	Neutral	46.6	242.3	21.0	9.4	17.9	17.8	8.8	8.1	1.7	6.3	79.6	112	39.1
TCM	HOSE	74	25,500	31,850	-16.8	Reduce	4.5	67.8	-8.8	-33.6	7.4	0.4	6.7	12.5	1.4	3.1	42.0	1,562	0.0
VCB	HOSE	10,800	58,000	67,700	-13.1	Reduce	33.6	61.1	5.7	2.1	13.1	10.5	16.8	20.2	3.7	1.2	-6.7	3,625	6.3
VGC	HNX	390	21,000	20,200	4.0	Neutral	-2.0	-6.0	-1.9	10.2	4.1	10.4	16.1	15.8	1.4	0.0	-16.6	2,663	34.1
VHC	HOSE	358	123,500	90,200	38.4	Buy	14.0	140.0	10.1	-5.8	6.5	15.3	5.8	6.7	2.1	1.4	30.0	761	63.9
VIC	HOSE	15,800	106,661	115,100	-7.3	Reduce	68.4	74.1	7.6	50.0	41.2	106.5	97.3	73.2	6.9	0.0	9.2	4,111	40.0
VJC	HOSE	2,637	140,000	113,200	26.3	Buy	54.0	81.0	58.9	54.2	44.0	55.4	11.8	8.8	4.4	2.7	-37.3	3,953	8.9
VNM	HOSE	10,336	136,000	138,000	2.2	Neutral	3.0	-0.7	7.1	4.0	7.4	6.4	23.5	25.1	9.3	3.6	-14.7	6,345	40.7
VRE	HOSE	3,556	35,000	35,500	-1.4	Neutral	-13.6	-17.2	12.6	23.6	-0.3	12.2	34.4	22.7	2.9	0.0	-12.1	6,797	17.1
VSC	HOSE	86	44,000	40,100	16.0	Accumulate	30.1	26.6	-3.0	5.3	-1.9	-7.6	6.7	6.4	1.2	6.2	10.6	272	5.7
VSH	HOSE	152	22,100	17,150	34.7	Buy	17.5	10.8	101.9	7.7	44.0	7.7	11.6	9.3	1.2	5.8	3.7	1,085	35.9

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

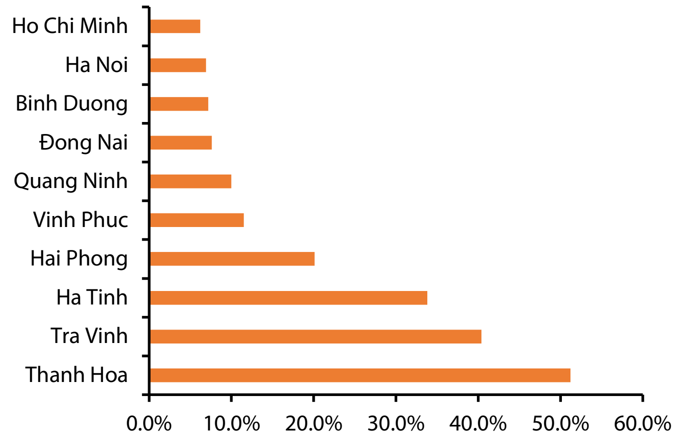
Vietnam Macro Watch in March

Manufacturing is still the main driver



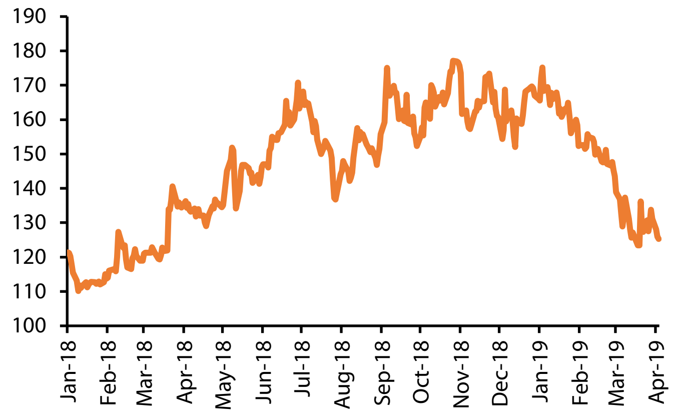
Source: GSO, Rong Viet Securities

Industrial production growth in 1st quarter by provinces



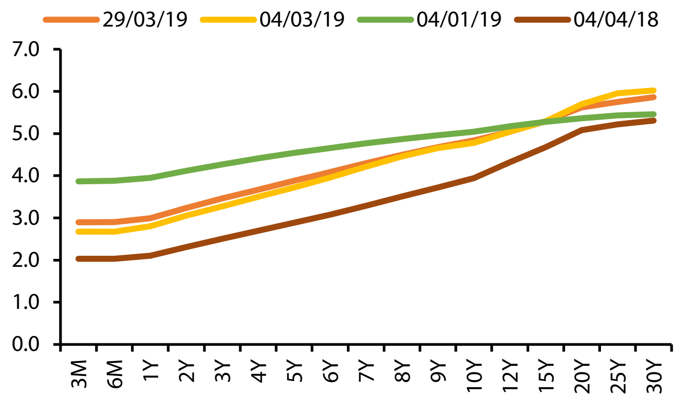
Source: GSO, Rong Viet Securities

CDS downed compared to the beginning of the year but higher than same last year period



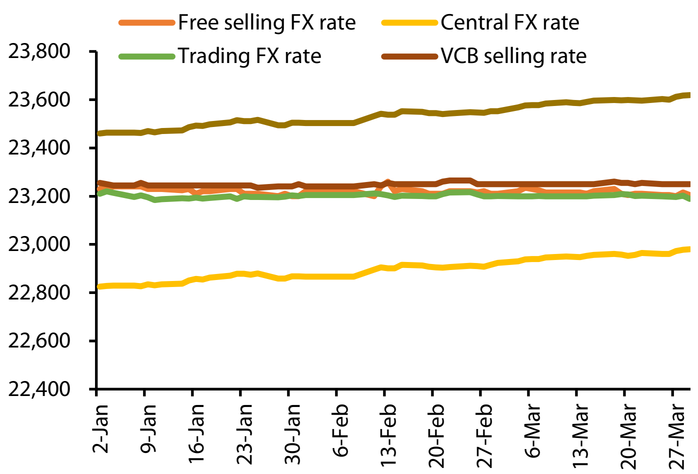
Source: Bloomberg, Rong Viet Securities

Vietnam government bond's yield curve



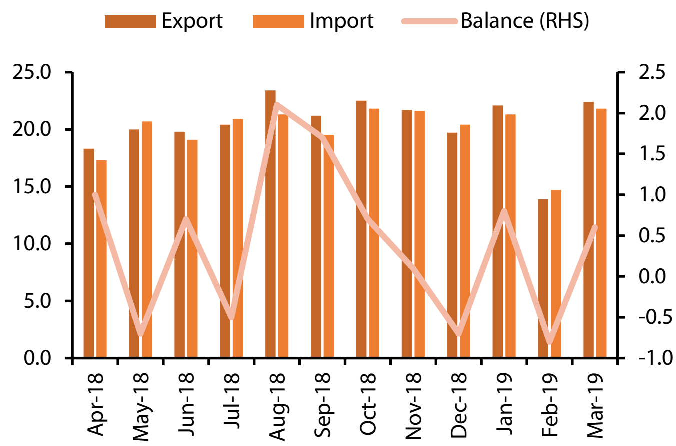
Source: Bloomberg, Rong Viet Securities

Central FX rate has increased since the start of the year



Source: Bloomberg, Finnpro, Rong Viet Securities

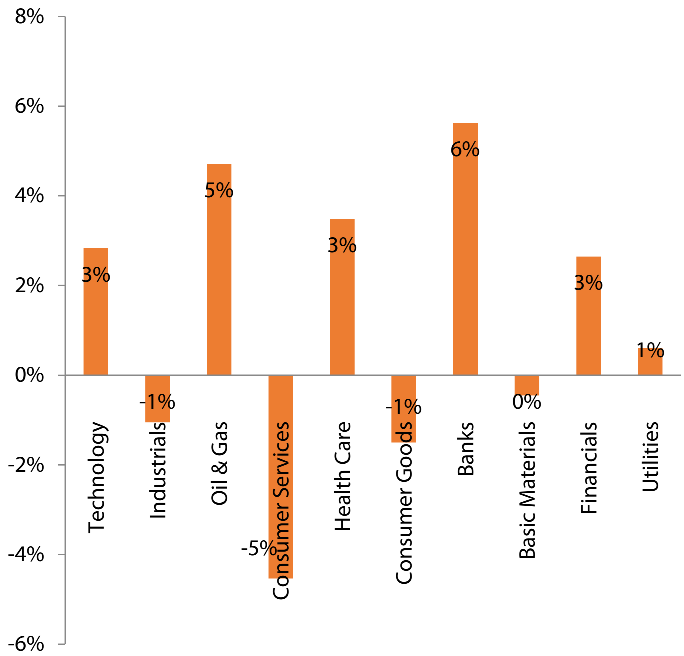
Trade balance is still surplus (US$ Bn)



Source: Customs, GSO, Rong Viet Securities

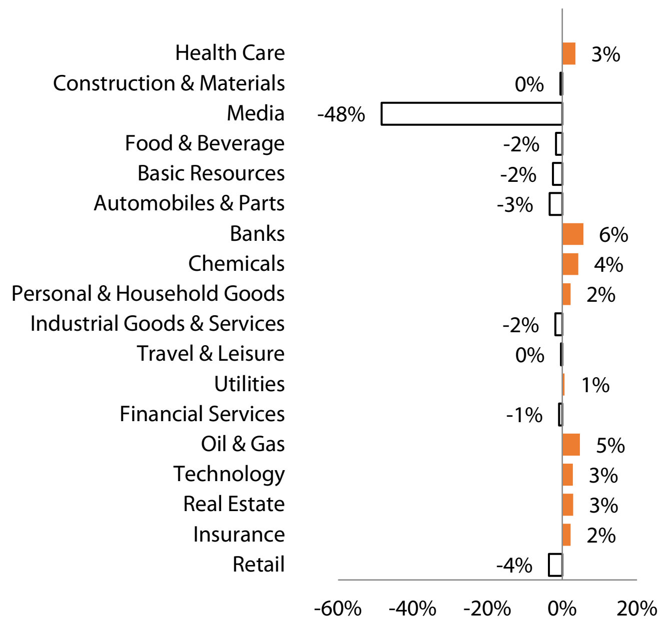
INDUSTRY INDEX

Level 1 industry movement



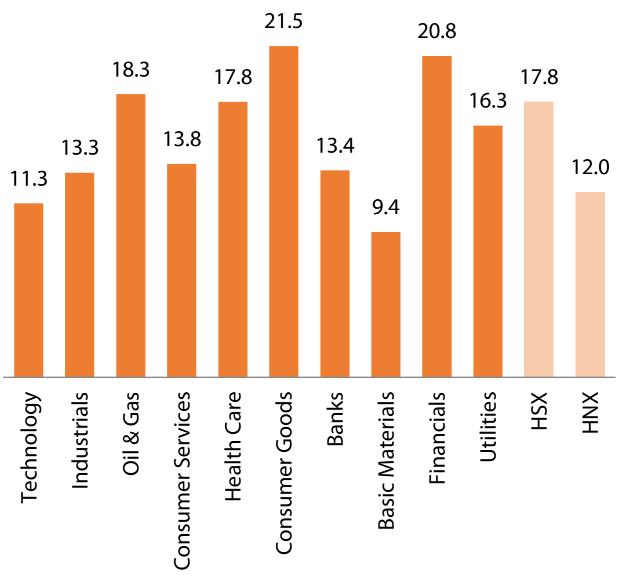
Source: RongViet Securities

Level 2 industry movement



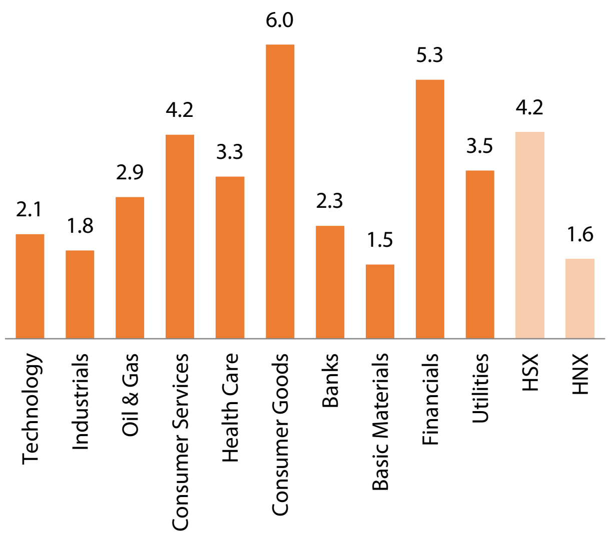
Source: RongViet Securities

Industry PE comparison



Source: RongViet Securities

Industry PB comparison



Source: RongViet Securities

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