22

TUESDAY

- **Holidays are coming**
- **VCB: Meaningful profit growth likely resume**

Holidays are coming

Liquidity turned lower before session available for bottom-fishing stocks in ETF's reconstitution session to trade. Therefore, market was likely in part affected by concerns about profit-taking as well as stop-loss activities of traders in next session, which witnessed stocks bought in ETF's reconstitution session ready for trading. Cash flow dropped significantly today, with order-matching turnover in HSX at only VND 1,200 billion, slipped 20% compared to yesterday figure. Meanwhile, VNIndex also saw high selling pressure in afternoon session and closed slightly below reference price, with closing index down 0.1% due to negative impact of some large capital stocks: VCB, BVH, FPT,….

Profit takers might place markets under pressure. For those who were bottom fishers on Friday 18/12, we notice that they may earn positive returns on stocks that were sold out by ETFs. They are VIC (+4%), VCB (+3.2%), PVT (+6.7%), PPC (+6.1%), SHB (+6.7%) and BVH (+2.0%)… Therefore, markets are very likely to be driven by these stock holders if they manage to realize profit in tomorrow session.

"Holidays are coming"

Table: Tickers considered as bottom-fishing stocks in ETFs' constitution session

Ticker considered as losers in 18/12 *(orange: tickers sold out by ETFs, green: tickers purchased by ETFs)*	**Price change (18/12-22/12)**
SHB	6.7%
PVT	6.7%
TTF	6.4%
PPC	6.1%
KBC	4.1%
VIC	4.0%
PVD	3.8%
KDC	3.7%
DPM	3.6%
VCB	3.2%
PVS	3.0%
HVG	2.3%
BVH	2.0%
ITA	1.8%
STB	0.8%
BHS	0.0%
IJC	-1.3%
SSI	-2.6%
PDR	-3.0%
MSN	-4.2%
HHS	-6.8%

Source: RongViet Research

As we commented in AD dated 11/12/2015, earning positive returns on stocks which are sold or deleted from ETFs' portfolios could be a good deal. For this Q4 reconstitution, the finding results

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are still held true so far.

Besides, low liquidity was in part due to seasonal effect. According to historical statistics in HSX during 2010-2014, order-matching cash flow in this exchange in period (1) usually relatively lower than average in period (2), apart from figure in 2013 (*with (1) and (2) mentioned in below table*).

Table: order-matching turnover in HSX during 2010-2015

Period	2015	2014	2013	2012	2011	2010
[(1) - (2)]/(2)		**-37%**	**14%**	**-6%**	**-31%**	**-21%**
(1): order-matching turnover from 22/12 to end of year (*unit: billion dong)*		1,210	998	612	332	1,068
(2): order-matching turnover from start of the year to date of 22/12 *(unit: billion dong)*	1,681	1,911	875	651	482	1,360

Source: RongViet Research

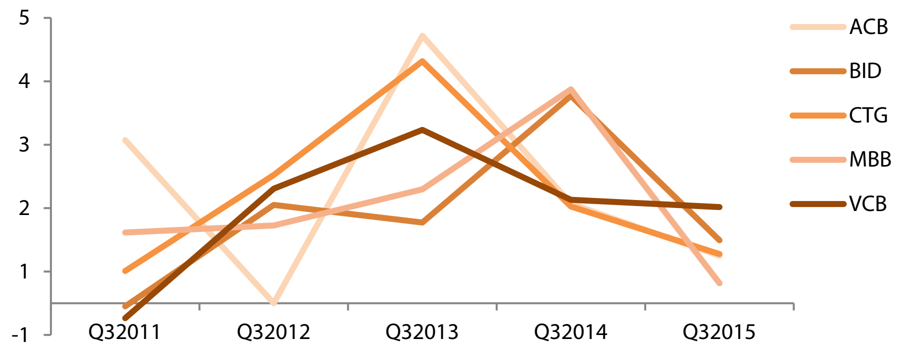
Liquidity become low due to seasonal effect (important holiday) so we do not expect cash would come back strongly. Meanwhile, as usual trading rule, in low liquidity period, market movement is usually exaggerated, meaning that impact of large cap stocks on market movement would be magnified as what happened today at VCB, BVH…. Long-term investors also accumulate potential stocks modestly, which causes stockholders more depressed. Investors could consider to keep investing principle consistently and plan cash budget for holiday in order to determine time for closing position appropriately and avoid being forced selling for meeting cash expenditure.

VCB: Meaningful profit growth likely resume

End of Sept, VCB positively fulfilled its whole year target. Accordingly, pre-provision operating profit got VND9,366 bn, up by 21.8% y-o-y and completed more than 80% target. Despite of that, VCB continued to pay a large proportion of income on provision and bad debt solution, its pretax profit was merely VND4,649 bn, up by 11.2% y-o-y and fulfilled c. 79% yearly plan.

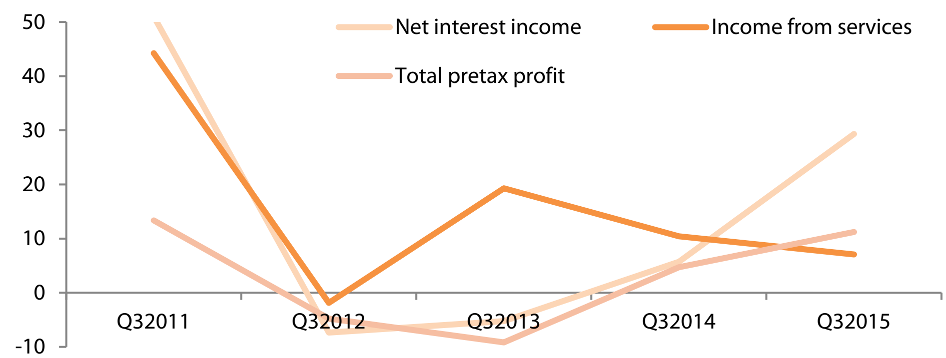
VCB's deposit and credit growths in 9M2015 showed its advantage on deposit as well as caution on lending. Accordingly, industry's deposit growth in 9M2015 was slower than that of the same period in previous years, led by strong demand on capital in a down trend of interest rate; meanwhile, industry's 9M2015 credit growth was 1.7 times higher than that of 9M2014. In respect of VCB, credit growth was just 10.2%, equivalent to two-third of deposit growth in nine month of this year. Consequently, VCB's estimated LDR was c. 75%, lower than some other state-owned banks like BID and CTG.

Graph 1: Ratio of deposit growth to credit growth in nine months during 2011 – 2015 of some listed banks



Source: RongViet Research

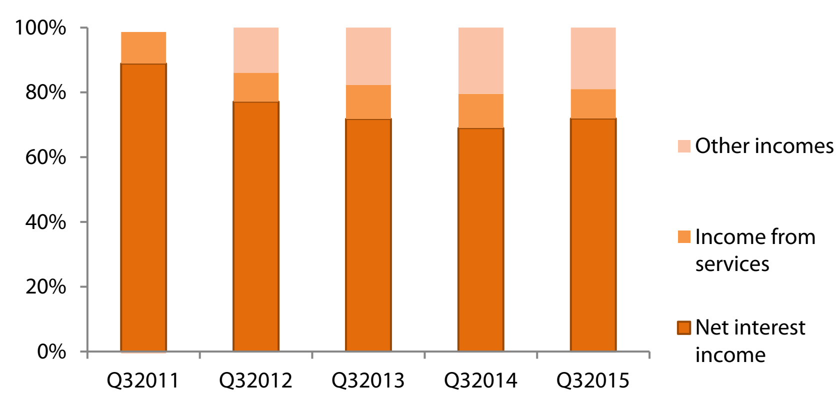
Graph 2: Growths of incomes in nine months during 2011 – 2015 of Vietcombank

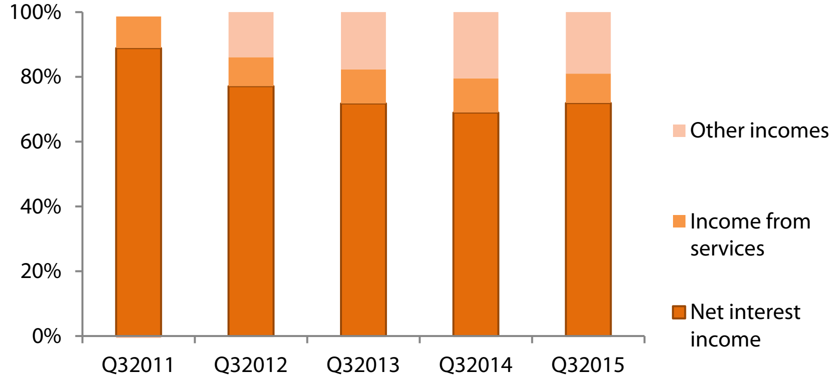


Source: RongViet Research

Improving operating activities. Thanks to better trend of credit and deposit growth, VCB's interest income experienced a positive improvement comparing to same period of 2012 – 2014. Particularly, total net interest income (NII) reached VND11,016 bn after 9M2015 (+29%, y-o-y) and took c. 72% in total operating income. This is the highest ratio in 2013 – 2015. Besides, VCB also witnessed a minor improvement of net interest spread (NIS), from 2.15% (9M2014, trailing 4Q) to 2.5% (9M2015, trailing 4Q) thanks to stable yield of profitable assets and a light cutback of interest cost. The NIM advanced from 2.38% to 2.7%.

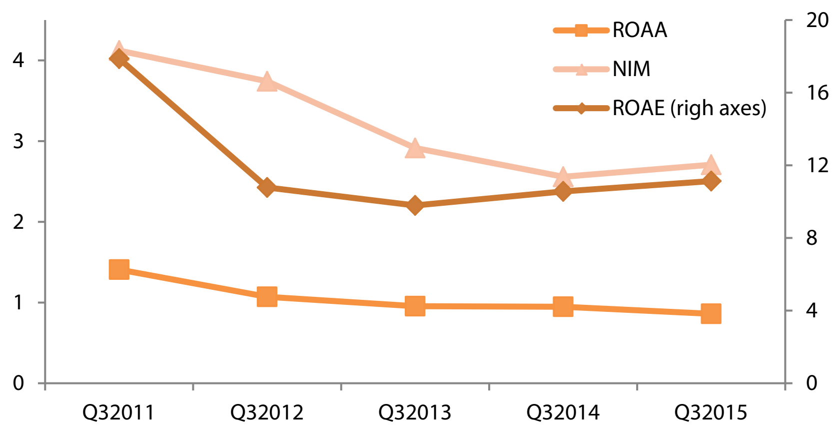
Graph 3: Operating income in 9M during 2011 – 2015





Source: RongViet Research

Graph 4: VCB's ROA, NIM and ROE (trailing 4Q)



Source: RongViet Research

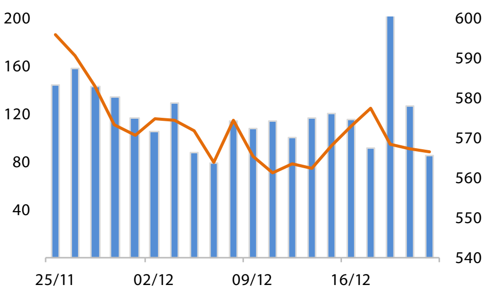
VCB continued to spend most of its resources to resolve NPLs in 2015. VCB has successfully sold VND6,500 bn of bad debt to VAMC so far. Besides, the bank also used VND3,407 bn from its reserve for bad debt resolution. Thanks to the adaption of VCB, the NPL ratio failed to 2.3%.

Q42015 outlook

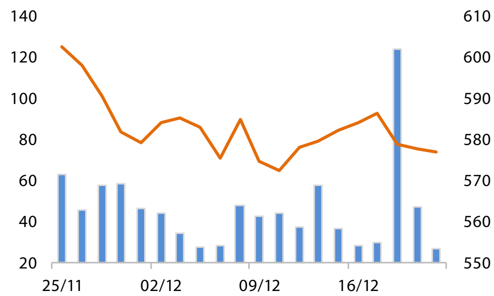
High demand for capital usually falls in the last quarter; hence, push up the credit growth of commercial banks. We project VCB can outperform its FY plan as credit and deposit growth are expected to reach 16% and 17.5% respectively. Although deposit rate has tendency to increase slightly, we believe it won't affect VCB operation due to strong bargaining power enabling VCB to mobilize low-cost capital. NIM following might upturn from 2.37% to 2.51% in FY2015.

The BoD planned to use 48% of operating profit for loan loss provision. After 3Q2015, the banks has used up 50% of its operating profit for such provision; we estimate VCB shall use another VND780 bn in this last quarter. In addition, VCB could be able to book a profit before provision of VND2,577 bn (-6.3% y-o-y) for the 4th quarter. However, as the provision expenses dropped sharply compared to Q4/2014, PBT is forecasted around VND1,794 bn (+5.7% y-o-y), leading to an EAT of VND1,394 bn (+4% y-o-y). Total accumulated EAT for FY2015 is estimated at VND5,029 bn (+9% y-o-y) and EPS accordingly is expected around VND1,585/share. VCB is currently trading at 26.8x PE and 2.5x PB (as of 21/12/2015).

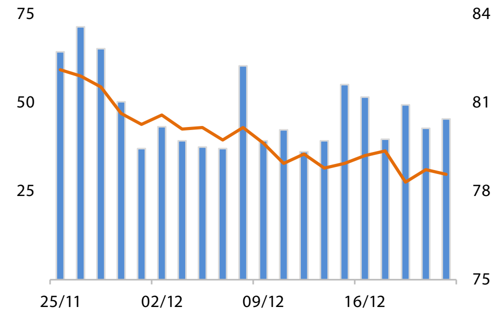
VNINDEX -0.10% 566.35



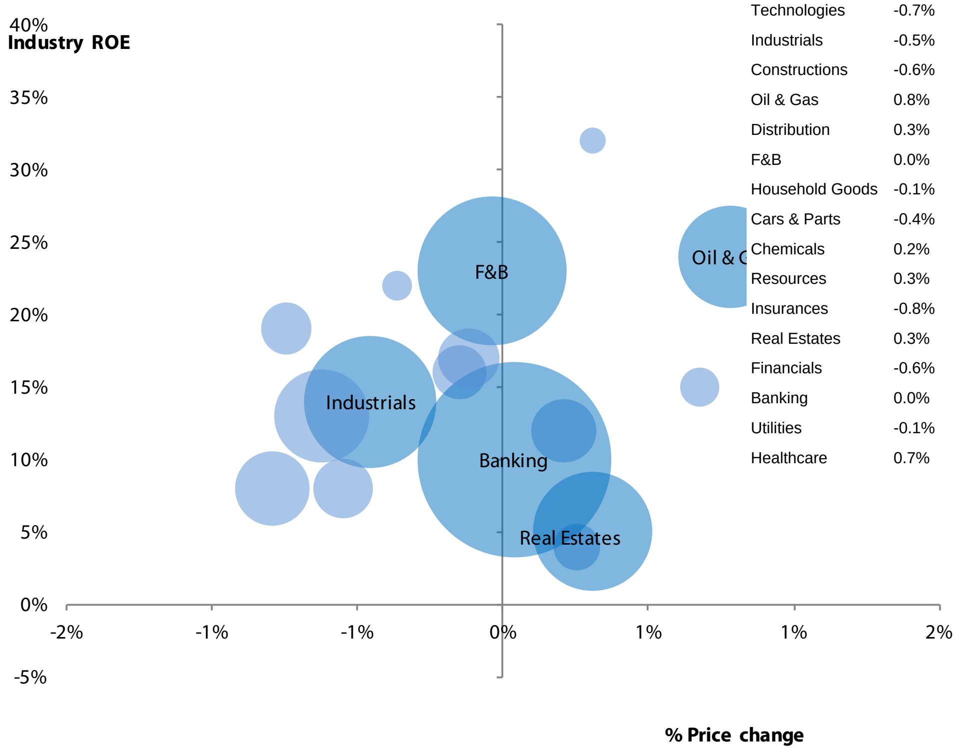
VN30 -0.16% 576.80



HNXINDEX -0.20% 78.56

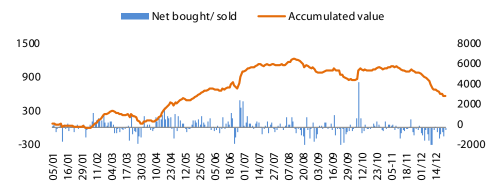


Industry Movement

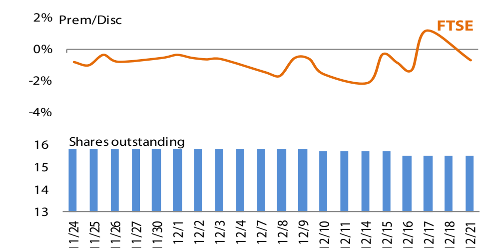


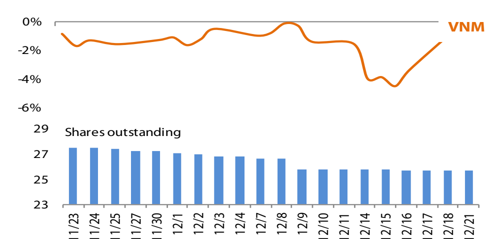
Industry	% change
Technologies	-0.7%
Industrials	-0.5%
Constructions	-0.6%
Oil & Gas	0.8%
Distribution	0.3%
F&B	0.0%
Household Goods	-0.1%
Cars & Parts	-0.4%
Chemicals	0.2%
Resources	0.3%
Insurances	-0.8%
Real Estates	0.3%
Financials	-0.6%
Banking	0.0%
Utilities	-0.1%
Healthcare	0.7%

Foreign Investors Trading



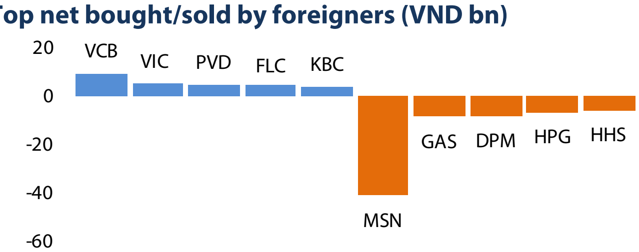
ETF



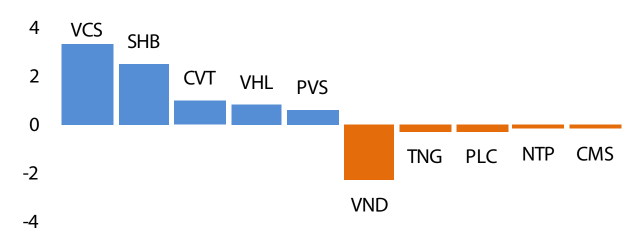


Top net bought/sold by foreigners (VND bn)

HSX



HNX



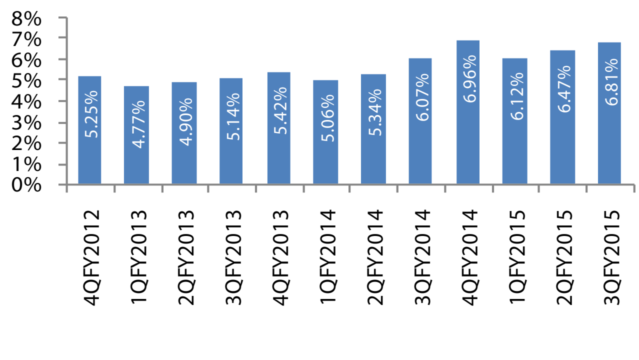
Top Active

Ticker	Price	Volume	% price change
DLG	6.8	5.44	4.6%
FLC	8.0	5.02	-2.4%
HHS	13.6	3.76	0.0%
OGC	4.1	3.59	5.1%
HAG	11.3	2.31	-0.9%

Ticker	Price	Volume	% price change
TIG	11.5	2.09	0.0%
SCR	8.3	2.06	1.2%
KLF	4.5	1.58	2.3%
SHA	11.2	1.03	-4.3%
KVC	9.2	0.98	-1.1%

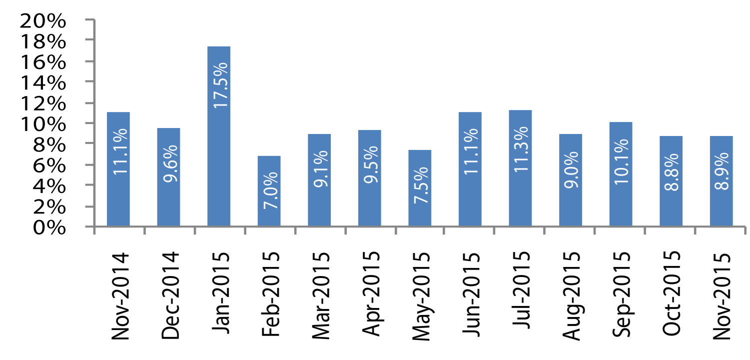
MACRO WATCH

Graph 1: GDP Growth



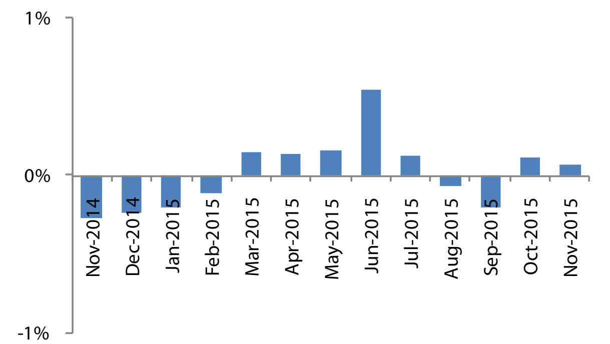
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



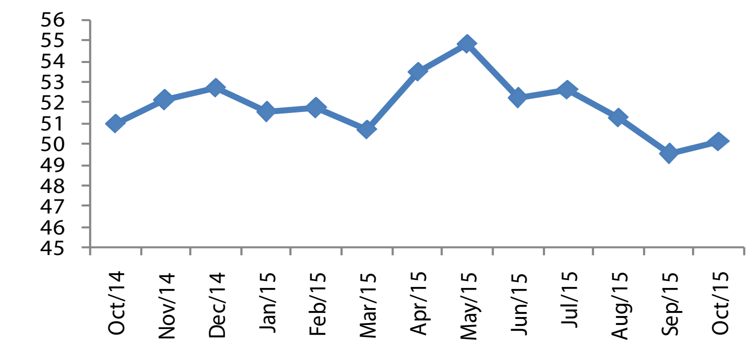
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



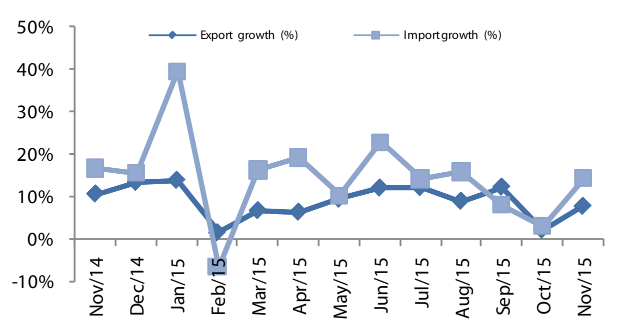
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



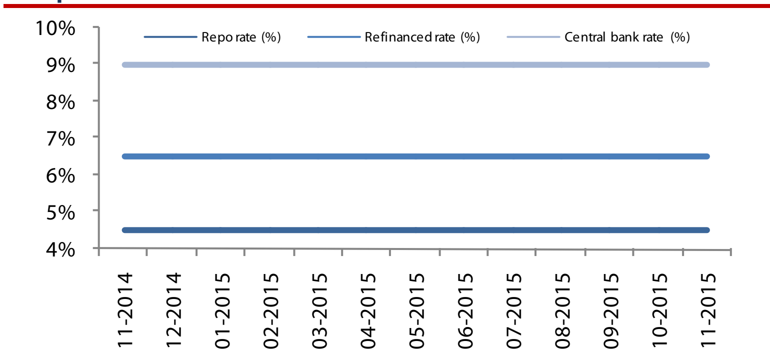
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
ELC- A new growth cycle	December 3rd , 2015	Buy – Long term	33,000
PPC- Positive core business	December 2nd, 2015	Neutral –Long term	21,100
DRC - Expecting on replacement segment	November 13th, 2015	Accumulate – Long term	52,000
NKG - Capital ravels to be untangled	November 6th, 2015	Neutral – Intermediate term	17,400
DMC- Restructuring sparks positive changes	October 30th, 2015	Accumulate – Intermediate term	49,000

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

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VF1	17/12/2015	0.2% - 1%	0.5%-1.5%	23,829	23,685	0.61%
VF4	17/12/2015	0.2% - 1%	0%-1.5%	10,840	10,763	0.72%
VFA	17/12/2015	0.2% - 1%	0%-1.5%	7,230	7,173	0.8%
VFB	17/12/2015	0.3% - 0.6%	0%-1%	12,611	12,611	0%
ENF	11/12/2015	0% - 3%	0%	11,938	12,029	-0.76%
MBVF	10/12/2015	1%	0%-1%	10,883	10,839	0.41%
MBBF	09/12/2015	0%-0.5%	0%-1%	12,523	12,507	0.13%
VF1	17/12/2015	0.2% - 1%	0.5%-1.5%	23,829	23,685	0.61%
VF4	17/12/2015	0.2% - 1%	0%-1.5%	10,840	10,763	0.72%

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