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THURSDAY

- **Expect more excitement**
- **FED rate lift-off and the effects for Vietnam exchange rate policy**

Expect more excitement

Liquidity has yet turned back but indices kept their rallies with wide market breadth after official FED rate hike. Today, despite increase of only 4.56 points in VNIndex, number of gainers doubles the figure of losers. However, order-matching volume was just 80.5 million shares in HSX, relatively lower than this week average of 95 million shares. This shows that investors, especially large money participators, have remained cautious. Under short of positive news, market would hardly witness robust liquidity, apart from tomorrow session (the final trading session of ETFs fund in this review period). Therefore, cash flow would likely continue to divergence with bias to positive movement sectors, typically banking sector.

Banking sector is proving its attractiveness to investors. Banking stocks advanced strongly 4.6% higher than their previous 1-week-accumulation price level. We saw capital flowing swiftly to BID (+4.6%), VCB (+1.1%), CTG (+1.6%). Referring to AD dated on Dec 15, we would like to emphasize on potential break-out of stocks, which have been net bought in since beginning of this year, as annual reporting season of investment funds are coming close. Of those, banking stocks were the desired ones as foreigners turned net buyers of VCB (VND98 billion), BID (VND1,004 billion) and CTG (VND533 billion).

With current liquidity, market has yet been expected to see sustainable uptrend but it is likely to see wide side-away channel in order to accumulate as well as to ease cautious sentiment. However, in indices' movement, especially VNIndex, they would surge further thanks to positive banking sector (the largest market capital sector). Therefore, higher index is expected to impact positively on market's sentiment and cash flow. Besides, these factors are also supported by upcoming business result of the final quarter and business plan for next year.

"Expect more excitement"

FED rate lift-off and the effects for Vietnam exchange rate policy

Today, US Federal Reserves decided to increase the interest rate after a long period of maintaining at approximately 0%. The 25-percentage point adjustment met the expectation from investors. However, such decision has been assessed to be a history turn for US and global economy. Other important aspects after FED's meeting are the assessments of US economic prospects and the rate adjustment schedule in the future.

Particularly, FED brought out the positive picture of growth rate and US employment market. Compared to the forecasts in September, economic growth rate was increased from 2.3% to 2.4% while unemployment rate was said to be 4.7%, instead of the previous 4.8%. However, FED still expected low inflation rate and the core forecast for next year will be 1.6%, increases by 0.3% compared to 2015. Furthermore, until 2018, inflation rate could achieve the target of 2%.

Table 1: FOMC's economic projection

	2015	2016	2017	2018	Long-term
GDP	2.1	2.4	2.2	2.0	2.0
Unemployment rate	5.0	4.7	4.7	4.7	4.9
Core inflation	1.3	1.6	1.9	2.0	2.0

Sources: Fed, RongViet Research

After the meeting, a schedule of hiking rates is announced. In particular, 7 out of 17 members of

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FOMC projected an increase of 1.25% by the end of 2016, implying four quarter-point rate hikes would be coming next year. Based on the hiking schedule as well as the reaction from many financial markets, the upcoming expectations seem that (1) rates would be rose slowly; (2) the next hiking interest rate is likely to occur from the mid to end of Q2/2016.

Table 2: FOMC's participants assessments of appropriate monetary policy

Target rate	2015	2016
0.00	☼☼	
0.25	☼☼☼☼☼☼☼☼☼☼☼☼☼☼☼	
0.50		
0.75		☼☼☼☼
1.00		☼☼☼
1.25		☼☼☼☼☼☼☼
1.50		☼☼
1.75		
2.00		☼

Sources: Fed, RongViet Research

Regarding Vietnam's macro economy, an emerging market in Asia, we suppose the event displays its influence on two perspectives which are (1) exchange rate and (2) interest rate.

- In terms of exchange rate, VND may face depreciation pressure as USD becomes stronger.
- In terms of interest rate, we predict that FED's policy has a lag time of 6 to 12 months and the adjusted policy interest rate is expected to be between 0.25 to 0.5%.

A detailed evaluation of the interest rate in 2015 is going to be published in a few days. For the specific case of exchange rate, a highly concerned issue recently, RongViet Research's macroeconomic analyst is presenting important updates:

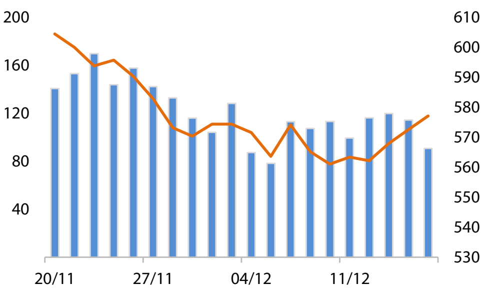
1. At the moment, commercial banks' USD ask price has almost reached the ceiling set by the SBV which is VND 22,547. Meanwhile, free-market USD has risen up to VND 22,800. The gap between the two rates reflects the increasing exchange rate tension as the year-end is approaching.

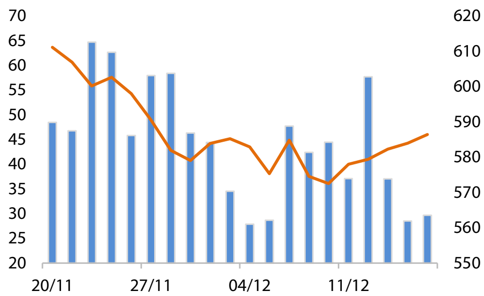
2. Following FED's announcement, SBV declared not to adjust the exchange rate and that the devaluation in August has anticipated FED's rate hike's effects on the Vietnamese market. It is clear that SBV predicted the movement, yet could not completely control VND's devaluation expectation.

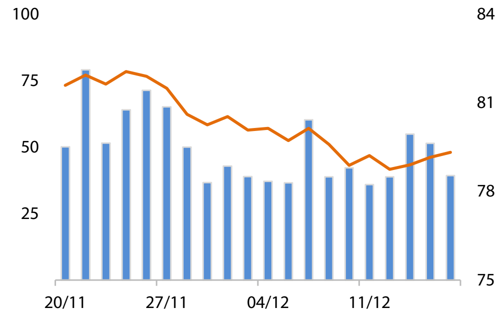
3. The yuan has continuously devalued in those days, currently, USDCNY exchange rate (onshore) rose to 6.48 while USDCNH (offshore) increased to 6.56. Along with the Fed's decision, devaluation pressure is high as ever and we believe that this will soon take place in early 2016.

In the short-term, in case of SBV do less-than-expected change (the expectation is between 3 to 5%) for 2016, we expect the exchange rate risk to remain high and the concerns not to cool down. Otherwise, if SBV conducts aggressive devaluation, it can shock the market. Consequently, it is more likely that SBV announces an exchange rate policy that is more flexible but within a careful range which speaks a particular direction. In addition, pegging VND to a currency basket may be a feasible option that SBV is considering, amid emerging markets' currencies are going through great fluctuations in 2016.

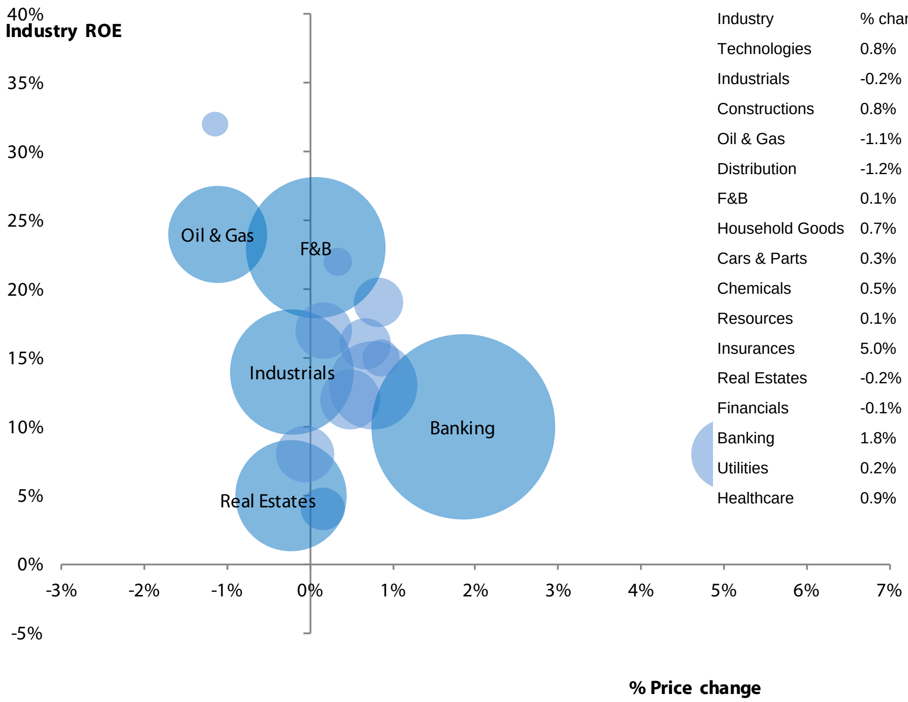
VNINDEX	0.80%	577.11	VN30	0.43%	586.47	HNXINDEX	0.21%	79.33





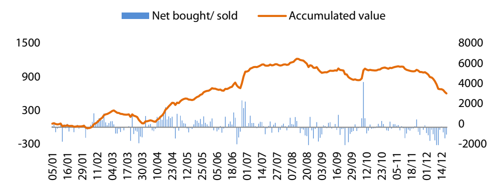


Industry Movement

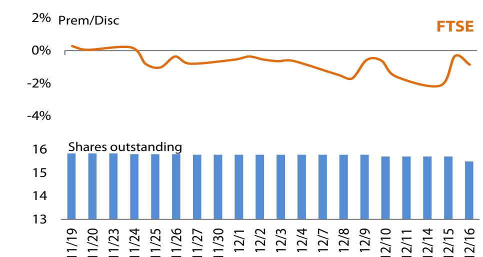


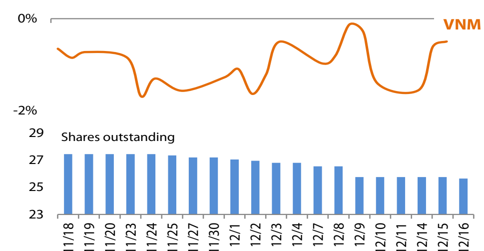
Industry	% change
Technologies	0.8%
Industrials	-0.2%
Constructions	0.8%
Oil & Gas	-1.1%
Distribution	-1.2%
F&B	0.1%
Household Goods	0.7%
Cars & Parts	0.3%
Chemicals	0.5%
Resources	0.1%
Insurances	5.0%
Real Estates	-0.2%
Financials	-0.1%
Banking	1.8%
Utilities	0.2%
Healthcare	0.9%

Foreign Investors Trading

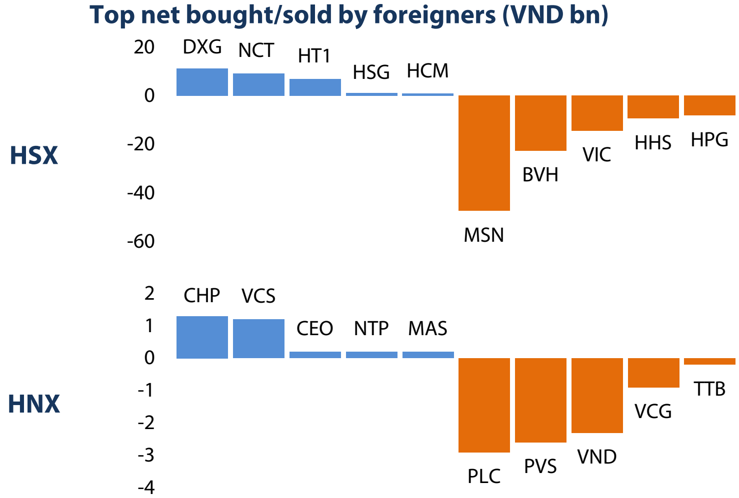


ETF





Top net bought/sold by foreigners (VND bn)



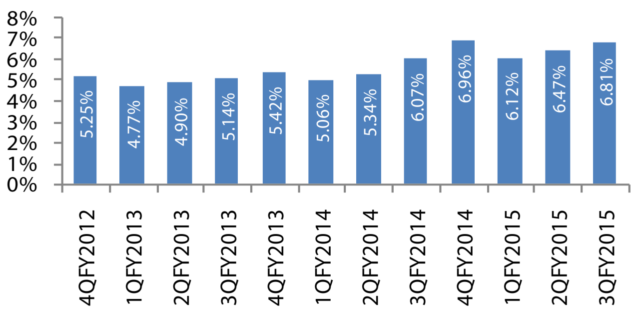
Top Active

Ticker	Price	Volume	% price change
FLC	8.1	7.16	1.3%
HQC	5.7	4.67	1.8%
SBT	19.6	3.84	1.0%
HAG	11.8	3.16	1.7%
OGC	3.6	2.65	-2.7%

Ticker	Price	Volume	% price change
SCR	8.3	5.77	1.2%
TIG	11.5	4.18	-2.5%
SHA	11.7	1.99	0.9%
HHG	11.3	1.68	9.7%
KLF	4.6	1.65	0.0%

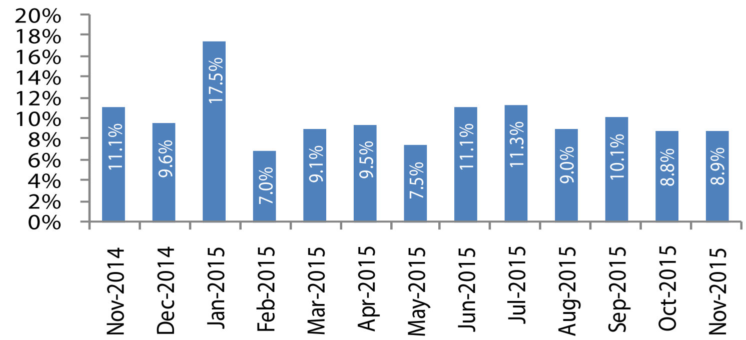
MACRO WATCH

Graph 1: GDP Growth



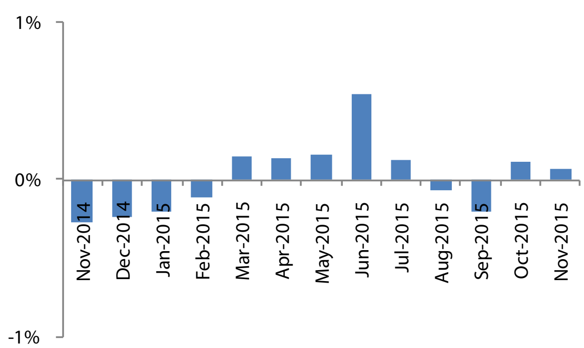
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



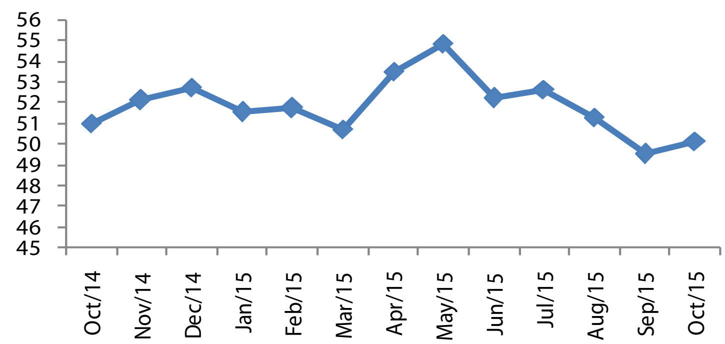
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



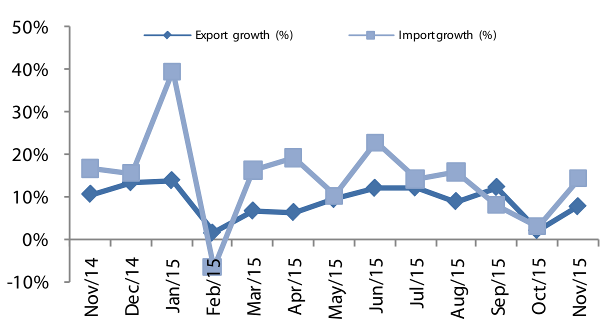
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



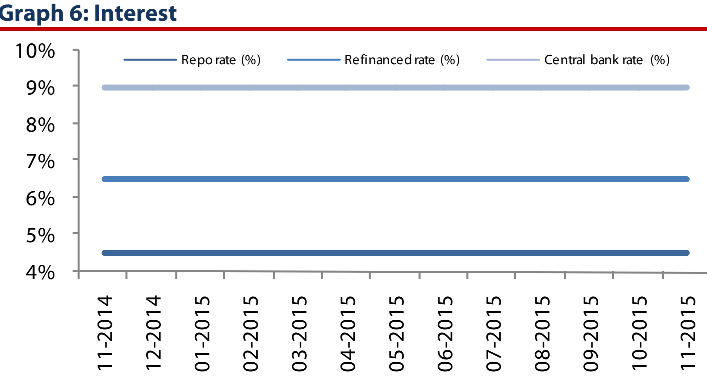
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
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
LHG - In the right time, in the right place	November 17th, 2015	Buy – Long term	25,700
DRC - Expecting on replacement segment	November 13th, 2015	Accumulate – Long term	52,000
NKG - Capital ravels to be untangled	November 6th, 2015	Neutral – Intermediate term	17,400

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

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	01/12/2015	0%-5%	0%-3%	12,109	12,093	0.13%
VEOF	01/12/2015	0%-5%	0%-3%	10,385	10,639	-2.39%
VF1	08/12/2015	0.2% - 1%	0.5%-1.5%	23,552	23,106	1.93%
VF4	08/12/2015	0.2% - 1%	0%-1.5%	10,688	10,456	2.22%
VFA	03/12/2015	0.2% - 1%	0%-1.5%	7,327	7,407	-1.08%
VFB	03/12/2015	0.3% - 0.6%	0%-1%	12,553	12,530	0.18%
ENF	04/12/2015	0% - 3%	0%	12,029	12,147	-0.97%
MBVF	03/12/2015	1%	0%-1%	10,839	10,894	-0.50%
MBBF	02/12/2015	0%-0.5%	0%-1%	12,507	12,501	0.05%

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