21

MONDAY

- **Poor domestic capital – slim chances**
- **After the Fed hiking interest rate, what is the forecast for Vietnam interest rate?**
- **Hung Dao Container JSC (HDO-HNX) – "Urgent" need to lower bank borrowings**
- **11M result update: FPT, DGW, MWG**

"Poor domestic capital – slim chances"

Poor domestic capital – slim chances

VNIndex approached 570 points but retreated soon after. During the first 15 minutes of today trading session, VNIndex strongly increased to 570 points. However, under the continuously selling pressure in majority of different stocks, the index could not achieve the 570 mark. The selling pressure maintained till the end of today session, leading to the decline in VNIndex by 1.28 points, ended today at 566.9 points. In contrast, market breadth of HNIndex was relatively narrow and slightly improved by 0.43 points to 78.72 points. Total put-through trading volume demonstrated no sign of positivity, remained at approximately 90 – 100 million units.

Stock exchanges have been quite calm after the ETFs' trading activities. Oversold stocks on last Friday due to ETFs such as BVH, VCB, VIC, KBC, PVD… increased and leading the market. FED also officially decided to hike the rate and selling pressure from ETFs has passed. However, such aspects have not been persuasive for the investors due to the lack of supportive and positive information.

Markets are driven by net domestic capital. Since beginning of this month, average net domestic capital recorded at around VND1,206 billion/session, which is far smaller than what it was in October and November when domestic investors injected VND1,560 billion to VND1,652 billion into markets every session. Same things took place in September, a sideways month of indices, as domestic investors only participated with VND1,076 billion/session. So far, there are no signs of capital inflows from foreigners and foreign funds are restructuring their portfolios for NAV report; therefore, domestic investors are key participants that drive the markets.

Market risks are relatively low as there are no such significant events that can worsen current situation as well as there are no signs of a potential break-out. We are in flavored of a scenario of low liquidity and sideways movement till the end of this year. This shall be a good time for "hunting season" of value investors.

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After the Fed hiking interest rate, what is the forecast for Vietnam interest rate?

In the Federal Open Market Committee (FOMC), Fed has decided to raise interest rates for the first time in nearly 10 years. As that situation, many investors have questioned relating the impact of this change on the Vietnam interest rate outlook in upcoming years. In the Advisory Diary, we will discuss shortly our opinions about this question.

Based on historical factors, the recent FED hiking interest rate (06/2004 – 06/2006) were accelerating the process of tightening monetary in Asian countries, with a 150 to 300 percent points increase of policy interest rate (except the Philippines). However, at this time, there is a divergence in the Asian monetary policy. According the recent forecast of Goldman Sachs, FED raises rate would unlikely have impact to Asian monetary policy in upcoming years. For Vietnam's interest rate, we believe it would accelerate the process of hiking interest rate. However, the impact on the economy might last at least 6 months to 1 year later.

Apart from the impact of FED raising rate, we suppose that the trend of interest rate in coming

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year likely might be affected by the capital supply-demand in the monetary market.

The first thing is *a balance between profit and competition in banking systems in 2016.* The growth rate of capital demand in economy in 2016 will relatively higher than 2015 at 18- 20%, in order to reach the objective that raising economic growth rate by 6.7%. So that, when loan activities increase strongly, a demand of raising capital will also rapid increase in next year. Subsurface waves in adjusting mobilize interest rate in recently is considered as the first sign of increase in competitive through interest rate instruments between banks. In lending side, the ceiling rate for priority areas will be committed to remain unchanged by SBV, however, there will be an adjustment in lending rate to remain businesses if banks cannot balance input and output costs. Forecasting for supply and demand capital for the whole segment is difficulty. However, we are realize signals from competitive raising capital activities, commercial banks still make provision for bad debts and pressure on raising fund for budget in next year will be a part of reasons that affect balance of supply and demand in capital and interest rate will increase to the new equilibrium rate in 2016.

Secondly, *government bond's successful rate is one of the roots for interest rates in the economy.* Government bond winning rate has bottomed up since May 2015 (dropped off 200 points compared to the blossom period in 2014) and slightly increased recently. As the same time, the demand of debt payment as well as investment capital would likely increase in coming year. According to Bloomberg, in 2016-2017, the economy needs more than 269.471 trillion to pay for both principal and interest payment. Meanwhile, demand for infrastructure also levers from 2016 – 2020, which is estimated at 1 quadrillion. Therefore, the increase in Government debt might lead to the pressure on an increase in GB's interest rate.

From 2011 to 2014, there was a high correlation between public and private sector borrowing rates. Hence, if the current public borrowing rate is high, there will be no chances for private sectors to seek for a lower rate.

In summary, we suppose that these above factors are the main indicators for the trend of interest rate in 2016. Therefore, it seems that the expected adjustments would likely occur during the second half of 2016 and an increase of approximately 25-50 basis points. Investors could find more information in our Macroeconomics report published today with the title *"More room for possible rate hike in 2016- a threat?"*

Hung Dao Container JSC (HDO-HNX) – "Urgent" need to lower bank borrowings

Last week, RongViet Research analyst made a visit to Hung Dao Container JSC (HDO-HNX) and had a discussion with the firm's management regarding its business prospects going forward. Once proud to be the only Vietnamese container maker, the firm's business performance has gone through rough patches over the past years as global economic recession caused slumping demand. Going into 2015, the recovery of Vietnam economy fostered by strong increase in industrial production activities has been giving HDO's business result a positive boost and promises a brighter business outlook in years ahead.

HDO operates in three main areas: (1) making and trading container chassis and trailer, (2)Depot leasing and domestic shipping services and (3) US truck head distribution (Freightliner & International). The firm has presences at Vietnam's busiest trade points including Da Nang, Ha Noi and Hai Phong apart from the head Tan Van Depot & factory (in Binh Duong) over 20 years of operation. During 2010-2014 period, HDO's business operation was negatively affected by: (1) recessing trade activities causing demand for container chassis to drop significantly, (2) sky-rocketing interest expense from 2010 to 2013 (borrowing cost of 14-15% on average) being a burden on the firm's container making operation whose COGS be funded 2/3 by short-term loans, (3) high input cost from 2010-2013 (steel prices) and (4) loss making shipping services as unexpected geopolitical situation between Vietnam and China since 2013 congested the goods flow and hence resulted in under-capacity vessel operation in rising fuel cost condition. As a result, the firm has been forced to witness "operating under cost" which was further compounded by high interest expense.

Since the end of 2014, the firm has started to restructure by "focusing" resources on high profit operation with increasing demand like trailer making and sales, truck head distribution and depot leasing services; and more importantly put a stop to loss-making business of shipping and container chassis making operation (only leasing current containers available). The solid recovery of Vietnam economy at the end of 2014 has had positive impact on pushing demand for trucks and its related part such as trailers. Currently, revenue from trailer and trucks sales make up relatively 50% and 30% of total revenue. Besides, falling commodities prices is lowering the firm's input cost and hence widen trailer sales gross margin. The firm's management revealed gross margin of these two businesses to be around 12-15% on average. With the implemented restructuring plan, HDO has seen a 80% yoy rise in 9M2015 revenue reaching VND174 billion and more importantly the 9M accumulated gross profit of VND21 billion (versus the loss of VND1.7 billion in last year's same period). However, despite the falling borrowing cost, the relatively high debt amount of VND98billion (of which 80% is short-term) has been causing great concern on interest payment and loan payment ability to the firm.

Table: HDO's results over the years

	2011	2012	2013	2014	9M2015
Revenue	176	137	184,6	168,5	174,5
Gross profit	57.4	43.8	26.1	7.67	20.9
Admin & sales exp	22.6	21	25.4	25.7	18.3
Financial exp	22.8	23.6	17.94	15.	8.9
PAT	***6.4***	***0.36***	***-17.5***	***-31***	***-10.6***
Borrowings	130.5	139	121.4	110.7	97.4
Short-term	115	133.2	114.3	88.5	77
Long-term	15.5	5.8	7.1	22.2	20.4

Source: RongViet Research compiled

We remain optimistic on the firm's core operation outlook (trailer sales, truck distribution and depot services) in the years to come with stable profit margin and would benefit from increasing industrial activities in Vietnam. For HDO itself, the firm also holds certain advantages to increase business effectiveness with: (1) strategic location of its main production factory and Depot in Tan Van – located in the heart of large industrial parks (Song Than, Bien Hoa, Amata,..) and short access to ports (Cat Lai, Truong Tho and Dong Nai), (2) long-term operating experience over 22 years, (3) broad customer networks and partners. Nevertheless, the firm has to address the most" urgent" issue now that is reducing bank debt amount to free up burden on the firm's bottom-line (interest cost of VND10 billion annually). Currently, the firm has planned to raise about VND100 billion from share issue to: (1) lower its leverage and (2) taking part in new business (trucking for example). So, if the debt matter got resolved, HDO share would absolutely become a stock to consider.

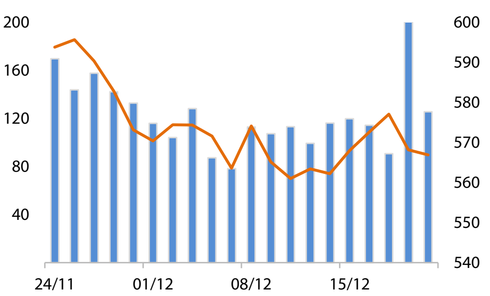
11M result update: FPT, DGW, MWG

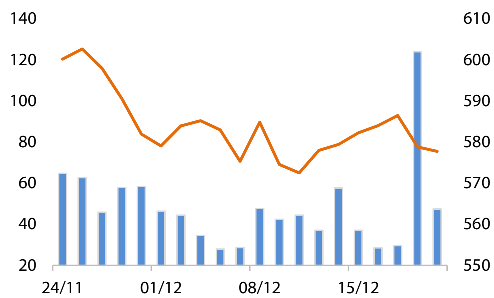
FPT: Accumulated 11M2015 revenue and PBT was respectively VND35,886 billion (+16% y-o-y) and VND 2,437 billion (+7% y-o-y). In which, the highest contribution in PBT was respectively IT and Telecommunication segment, which would be also the main growth drivers in next year. In 11M2015, PBT growth of them was respectively 11.9% (y-o-y) and 6.2% (y-o-y). However, distribution segment, especially mobile distribution, has turned to downtrend phase, with PBT growth at -19.6% y-o-y, caused by drop in revenue of Microsoft product (Nokia) as well as drop in Apple product sales due to MWG and DGW authorized to import Apple product directly. As our estimation, EPS in 2015 would be about VND 4,300, equivalent to P/E at 11.2 (based on closing price of VND48.500 per share).

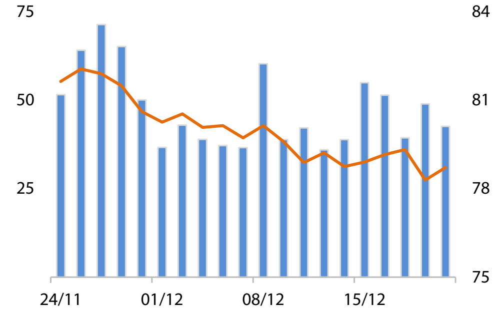
DGW: Company operates as a technical consumer goods (TCGs) distributor (mobile devices, IT, office equipment). DGW's business result is in downtrend phase as what has been happening at mobile distribution business of FPT Trading. 11M2015's total revenue and PAT was respectively VND 3,881 billion, down 2.39% yoy (reaching 65% year guidance) and VND 95.78 billion (accounted for 60% target figure). However, the most attractive in their business result was improvement of gross margin, from 5.81% to 6.04%, meaning gross profit growing 1.49% yoy. This improvement was likely thanks to new mobile brand distributed recently, such as: Obi, Apple,… However, under gradually higher pressure of competitive retailers, market share of distributors like DGW decreased year by year and this trend would probably continue in future. According to our estimation, 2015's EPS of DGW would be about VND 3,300, equivalent to P/E of 9.8x (based on closing price of VND35,500 per share).

MWG: 11M2015 revenue and PAT was respectively VND 22,491 billion (+60% yoy) and VND 958 billion (+57% yoy). In which, thegioididong.com and DienmayXanh.com accounted for 83% and 17% total revenue, respectively. Electronics business would expand in upcoming years since thegioididong.com chain is approaching the peak of its cycle and would probably turn to be saturation in years while dienmayXanh.com has been expanded significantly to reach the leading position in electronics retailing market. In 11M2015, sales growth of thegioididong.com and DienmayXanh.com was 55% and 88%, respectively while number of stores of them was 67% and 112%, respectively. With that huge number of new stores, MWG's BOD set up optimistic 2016's guidance for PAT at VND1.388 billion, surging 30% compared to our estimated 2015's PAT. Meanwhile, with current growth momentum, EPS of 2015 would be about VND7,300 (including impact of ESOP issued in December 2015), equivalent to P/E at 10.8 (based on closing price at VND79,000 per share).

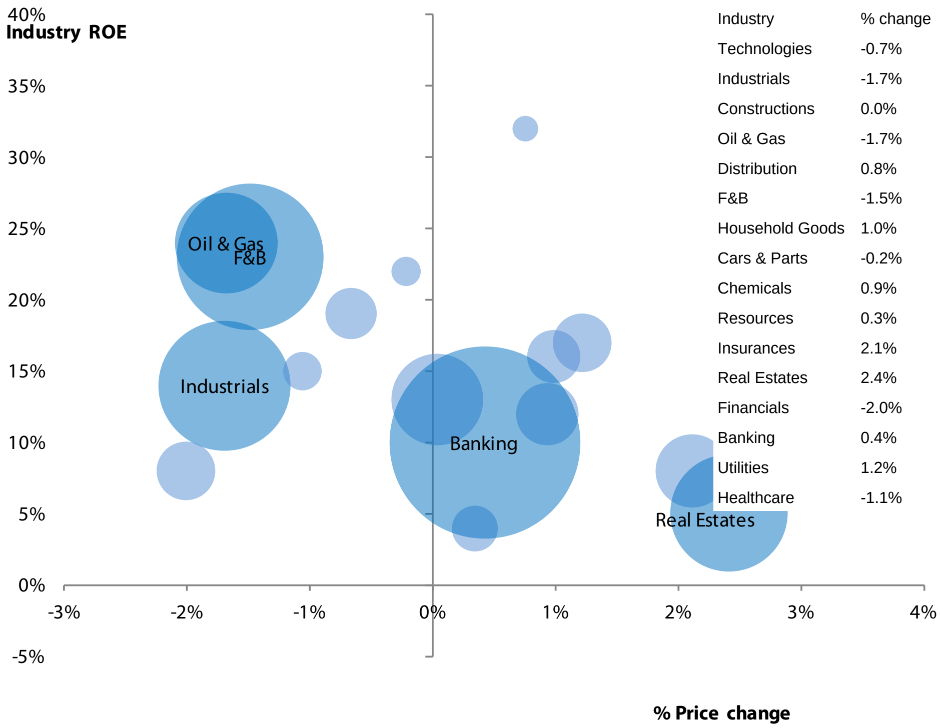
VNINDEX -0.23% **566.90** | **VN30** -0.19% **577.73** | **HNXINDEX** 0.55% **78.72**





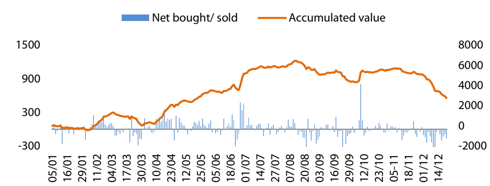


Industry Movement

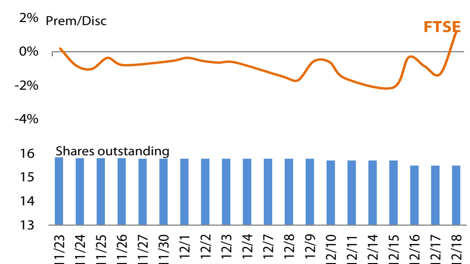


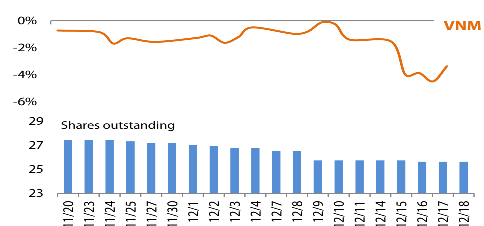
Industry	% change
Technologies	-0.7%
Industrials	-1.7%
Constructions	0.0%
Oil & Gas	-1.7%
Distribution	0.8%
F&B	-1.5%
Household Goods	1.0%
Cars & Parts	-0.2%
Chemicals	0.9%
Resources	0.3%
Insurances	2.1%
Real Estates	2.4%
Financials	-2.0%
Banking	0.4%
Utilities	1.2%
Healthcare	-1.1%

Foreign Investors Trading

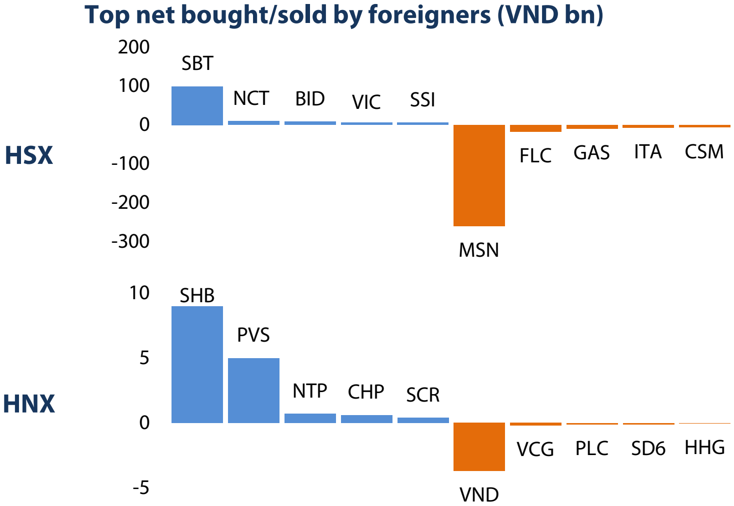


ETF





Top net bought/sold by foreigners (VND bn)



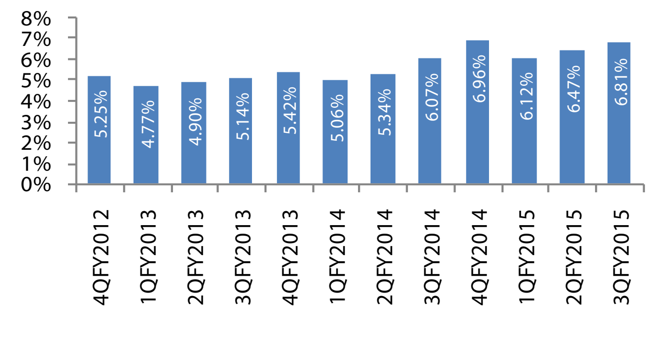
Top Active

Ticker	Price	Volume	% price change
FLC	8.2	12.79	3.8%
OGC	3.9	6.83	5.4%
HHS	13.6	6.43	-6.8%
DLG	6.5	3.76	0.0%
HQC	5.7	3.55	0.0%

Ticker	Price	Volume	% price change
PVX	3.2	4.20	6.7%
TIG	11.5	3.35	0.0%
SCR	8.2	3.26	0.0%
SHB	6.3	3.23	5.0%
KLF	4.4	2.29	-2.2%

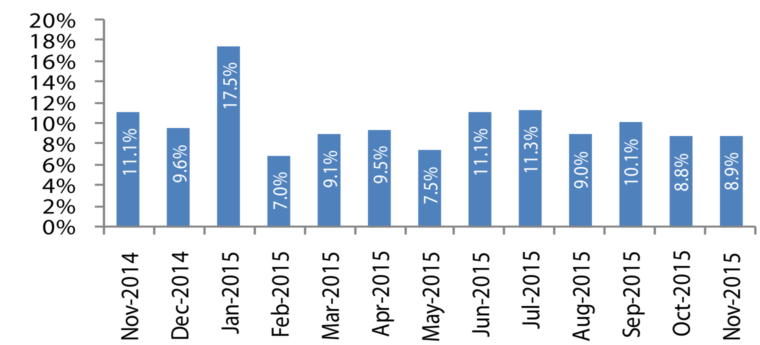
MACRO WATCH

Graph 1: GDP Growth



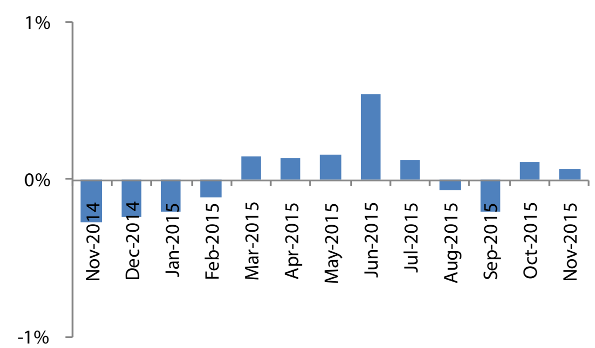
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



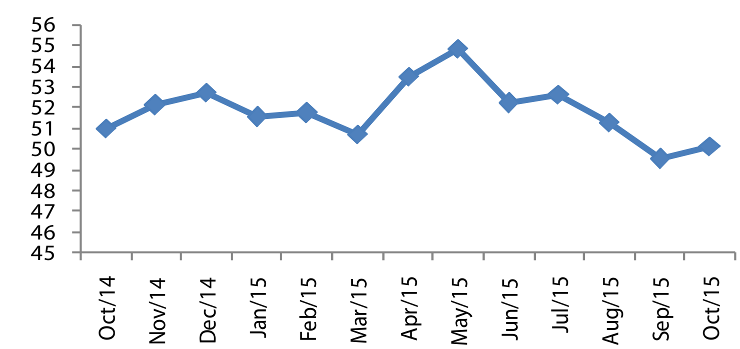
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



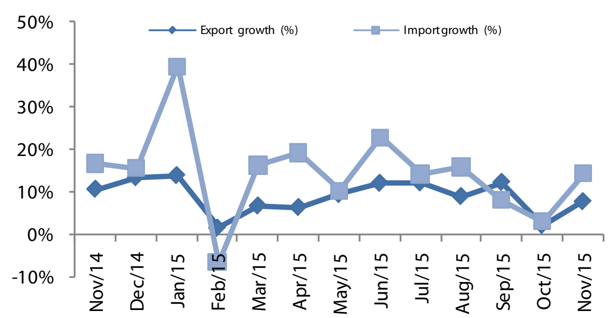
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



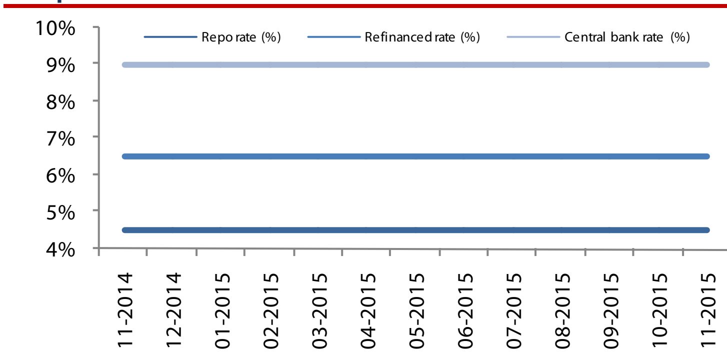
Sources: GSO. Rongviet Securities database

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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