SEPTEMBER

18

FRIDAY

ADVISORY DIARY

- **Case study on the interest rate of FED: the result and discussion**
- **Ample liquidity on weekend's trading day**

Case study on the interest rate of FED: the result and discussion

Federal Reserve puts rate rise on hold after the meeting on 17/9

Today, The Federal Reserve announced that it held interest rates at historic low, a similar result to our prediction in both Monthly Strategic Report and Advisory Diary. Thus, FED will note hike rate until the October Meeting. In fact, FED remain fearful about (1) volatile financial markets (2) weakening emerging market growth (3) low inflation rate

How FED decisions affect the global stock market and commodity prices?

As a result, global stock markets reacted positively after Fed holds rate, especially in emerging markets. In particular, Shanghai Composite rose up 0.38%, TWSE (Taiwan) increased 0.2%, South Korea's Kospi Composite was up 0.98% and VNIndex added 0.68%. In contrast, US stocks market slip with NASDAQ index falling 0.1%, as concerns about an increasingly brittle global economy overshadowed evidence of a resilient US recovery.

On the other hand, the dollar is slightly weakened today. According to Bloomberg statistical result, the USD dollar index fell 0.61% compared with yesterday. Similarly, both metal index and energy index are off 0.28% and 0.15% respectively while WTI also slipped 0.75%.

The impacts on Vietnam?

Yesterday, the State Bank sold USD 160 million to balance the demand-supply before FED's meeting. Under the depreciation of USD, we believe that in short-term, the pressure for an exchange rate adjustment could significantly decline. In a week, USD/VND exchange rate has increased by 0.18%; however, this figure today could record a 0.22% decline compare to yesterday session, came back to 22,440VND/USD, lower than 22,450 VND/USD from last weekend.

Any chances for rate hiking in 2015?

In Thursday meeting, FED also released its economic projections on GDP growth, unemployment rate, PCE inflation and interest rate from 2015 to 2019.

Table: FED economic projections (in median) after 17th September meeting

	2015	2016	2017	2018	Dài hạn
Change in real GDP	2.1	2.3	2.2	2	2
June projection	*1.9*	*2.5*	*2.3*	*n.a.*	*2*
Unemployment rate	5	4.8	4.8	4.8	4.9
June projection	*5.3*	*5.1*	*5*	*n.a.*	*5*
PCE inflation	0.4	1.7	1.9	2	2
June projection	*0.7*	*1.8*	*2*	*n.a.*	*2*
Core inflation	1.4	1.7	1.9	2	
June projection	*1.3*	*1.8*	*2*	*n.a.*	
Federal funds rate	0.4	1.4	2.6	3.4	3.5
June projection	*0.6*	*1.6*	*2.9*	*n.a.*	*3.8*

Source: FED (*)

(*) See details on attached link

FED economic projections are based on the FOMC's participant's assessments in term of GDP

"Ample liquidity on weekend's trading day"

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growth, unemployment rate, PCE inflation and interest rate. Projections released with the statement showed that some 13 of Fed policy makers expect a rate rise in 2015; three others are looking for firming to occur in 2016, and one further out in 2017. Previously, the corresponding ratio was 15:2:0. A detailed ratio about FED policy makers' opinion can be found in the table below.

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

Midpoint of target range (%)	2015	2016	2017	2018	Dài hạn
-0.125	1	1			
0					
0.125	3				
0.25					
0.375	7				
0.5					
0.625	5				
0.75					
0.875	1	2			
1.00			1		
1.13		4			
1.25					
1.38		2			
1.50					
1.63		3			
1.75					
1.88		1	2		
2.00					
2.13		2	2		
2.25					
2.38		1	2		
2.50					
2.63			3		
2.75					
2.88		1		3	
3.00			2	1	1
3.13			1	2	
3.25				2	6
3.38			2	1	
3.50			1	3	5
3.63				3	1
3.75				1	3
3.88			1	1	
4.00					1

Source: FED

As a consequence, it could be implied that FED still left the probability to adjust the interest rate open. The hike happened or not could depend on the movements of US economic indicators.

According to our macro analysts, when interest rate hikes particularly receives attention from Vietnamese and global investors. In this meeting, the interest rate remained unchanged but there could be no guarantee about the upcoming sessions. The hike, we believe, could be sooner or later; the important aspect is that how much the rate would be increased because it could be the significant impact on the emerging markets. Furthermore, we believe that FED has to highly concern the hike when it is necessary in order to avoid undesirable consequences to the US sustainable development. Our analyst emphasized that the risk from FED hiking interest rate could be prolonged to create the sentimental pressure on the markets. The positive factors could be that the withdrawn capital flow from previous meeting could be re-allocated. In addition, the affects from FED could only make any impacts in short-term.

Ample liquidity on weekend's trading day

The most awaited session came in after FED meeting and final day of ETFs reconstitution. NT2, HAG, PDR and VCB were most actively traded by two ETFs. During ATC, trading volumes of NT2, HAG and VCB swelled up another 6.6 million, 5.5 million and 2.5 million shares consecutively. On the other hand, 6.5 million PDR shares went floor.

Excluding 4 tickers, both local bourses traded more than 180 million shares, doubling the average of 70 million shares recently. We saw Bidders willingly accepting large selling shares from ETFs. Also, price level was progressive when there were 152 advancers to 69 decliners.

Market pillar changed from Oil&Gas group to Banking stocks. Most notably, after two days ending at floor with no bid, BID turned into one of the most traded stocks today with total matching volumes 7 million shares (3.3 million of which stayed floor). Most bidders were domestic investors. Coincidently, today total BID shares were equivalent to mistakenly purchased volumes of ETFs. In term of these industries, positive news about bad debt process of VAMC is announced today. By the end of 15/09/2015, VAMA has bought VND 82.208 billion worth of bad debts from Credit Institution (with VND 73,367 billion). Compared to earlier this year, VAMC has boosted the process of bad debt settlements in Q3. From the beginning of Q3 till 15th September, VAMA has bought 59.6 thousand billion VND, equal to 3.72% total bad debt. The bad debt level could be reduced to below 3% at the end of third quarter 2015 with the current process.

All pieces of macroeconomics information have been revealed. Hence, trading volumes and prices volatility were quite positive. Momentum shall be confirmed after being tested in 2 or 3 upcoming sessions. Currently, we don't think it's a right time for short-term investors to enter the market. Also, stock selection should be based on fundamental factors of individual companies. Selective buying stocks having attractive prices are probably the best strategy at this time.

Today, our analyst has visited plant inauguration Trang Bang 3 of STK Corp, we would like to provide the updates information and pictures related to the event.

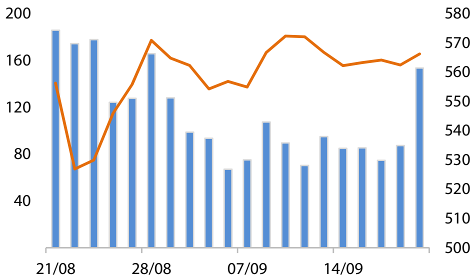
As mentioned previously, Trang Bang 3 plant's machinery and equipment are entirely imported from Oerlikon Barmag (Germany) with a higher sophistication level compared to other STK's production plants. So, the proportion of goods of export quality increases to 90% (compared to 88% at remaining plants) to manufacture smoothed fiber commanding higher margin. The POC (Plan Operating Center) production management system is run all by computer which is rated as the most modern in Vietnam among peers. Also, the company invested in one textile machine (costing USD800,000) to manage output.

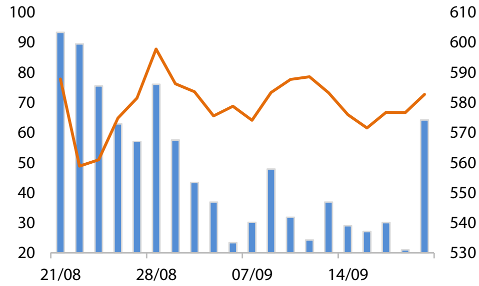
STK officially put into operation or demoed 5 POY and 14/15 DTY production lines. The remains will be completed by the end of this month. Thus, the plan to run 50% Trang Bang capacity has been exceeded thanks to growing demand in domestic market, which currently gains 30% of total market share. We estimate project Trang Bang 3 will boost FY2015 volumes by another 10%. And in FY2016, when the factory is exploited at an optimal level, capacity will surge 40%.

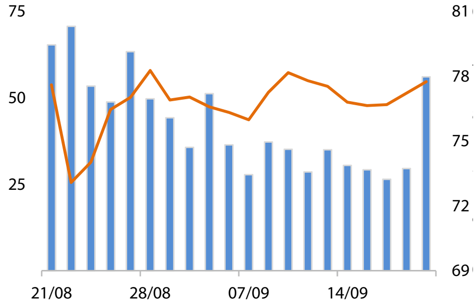
Some pictures regarding to plant inauguration Trang Bang 3

Source: RongViet Research

VNINDEX	0.67%	566.25	VN30	1.05%	582.73	HNXINDEX	0.69%	77.75

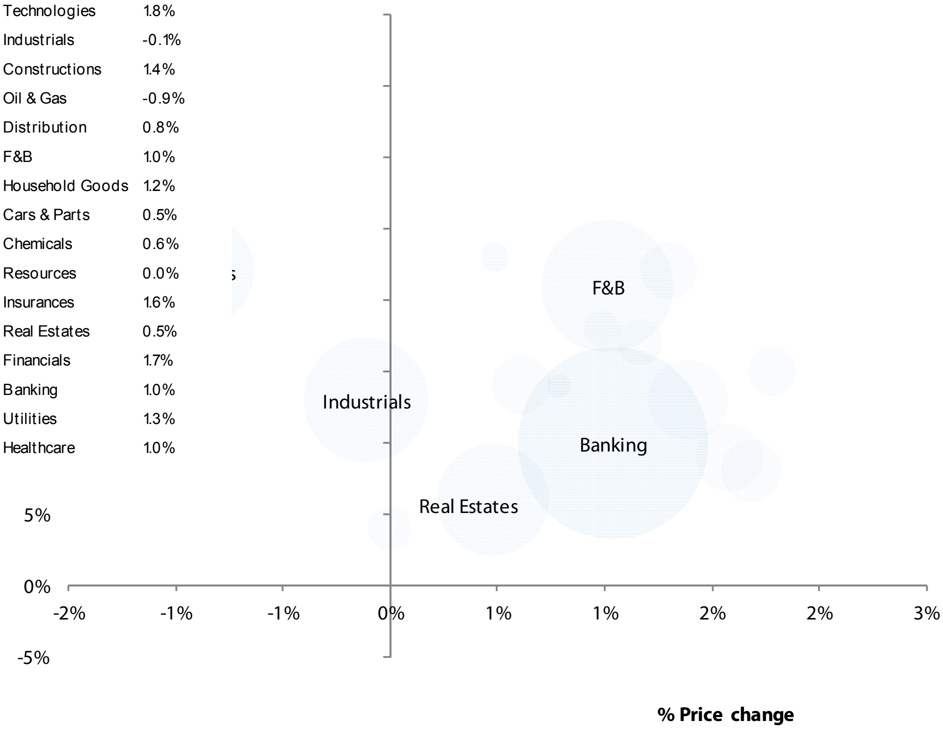




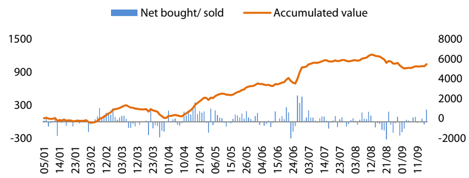


Industry Movement

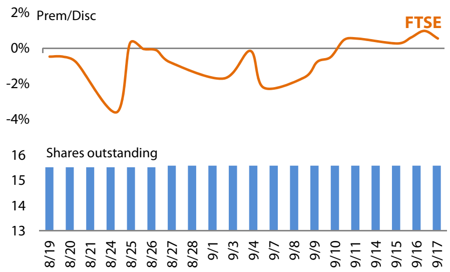
Industry	%change
Technologies	1.8%
Industrials	-0.1%
Constructions	1.4%
Oil & Gas	-0.9%
Distribution	0.8%
F&B	1.0%
Household Goods	1.2%
Cars & Parts	0.5%
Chemicals	0.6%
Resources	0.0%
Insurances	1.6%
Real Estates	0.5%
Financials	1.7%
Banking	1.0%
Utilities	1.3%
Healthcare	1.0%

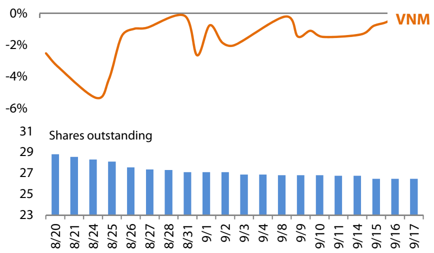


Foreign Investors Trading

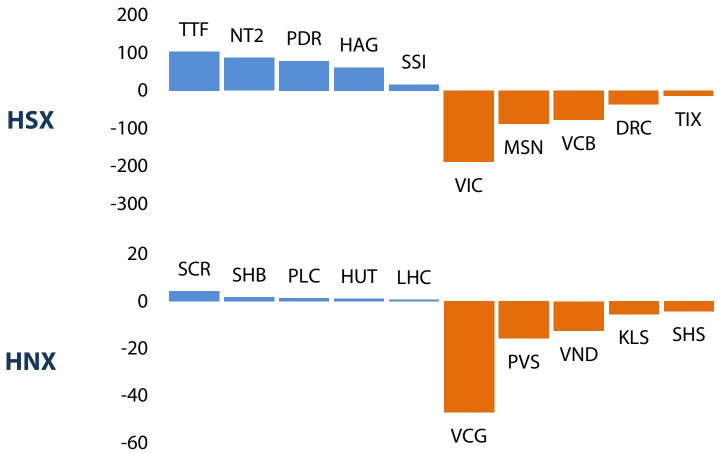


ETF





Top net bought/sold by foreigners (VND bn)



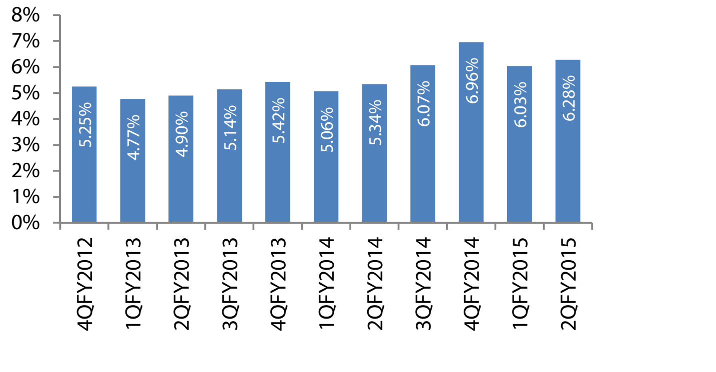
Top Active

Ticker	Price	Volume	% price change
TTF	17.5	7.52	-2.2%
HAG	15.5	7.40	1.3%
NT2	25.0	7.32	2.5%
PDR	15.0	7.25	-6.8%
CII	22.4	7.05	3.2%

Ticker	Price	Volume	% price change
VCG	11.2	7.70	0.9%
SCR	7.9	3.53	3.9%
KLF	4.5	3.23	0.0%
KVC	8.7	2.65	-9.4%
VND	13.5	2.06	2.3%

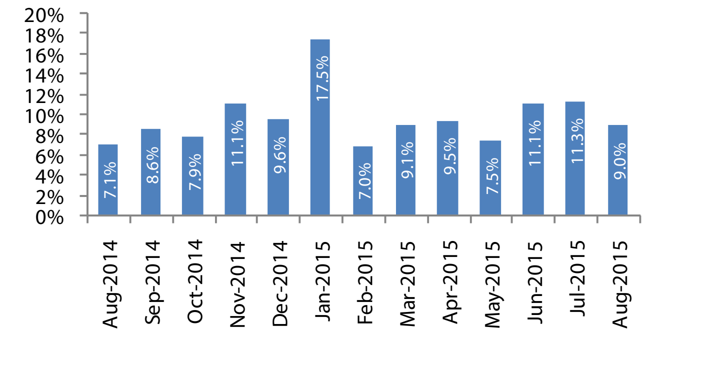
MACRO WATCH

Graph 1: GDP Growth



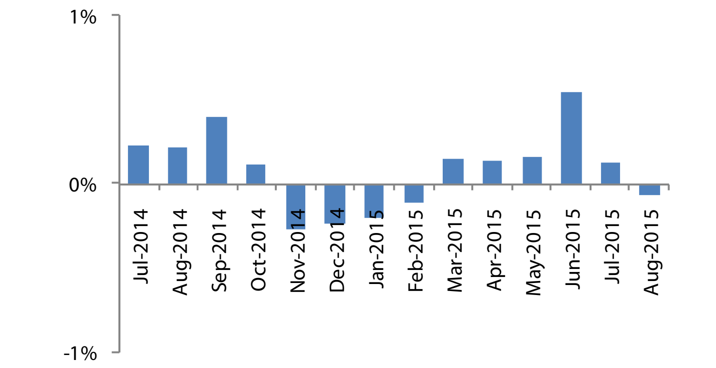
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



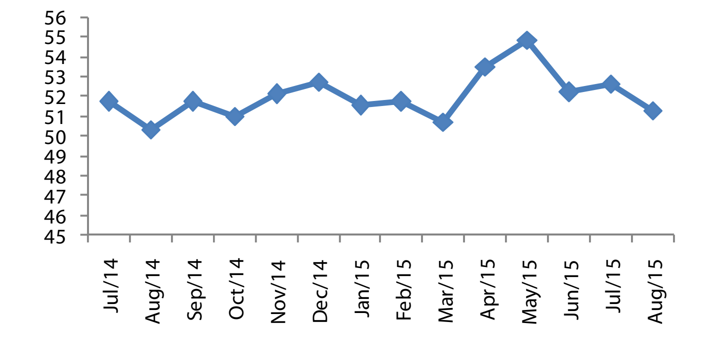
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



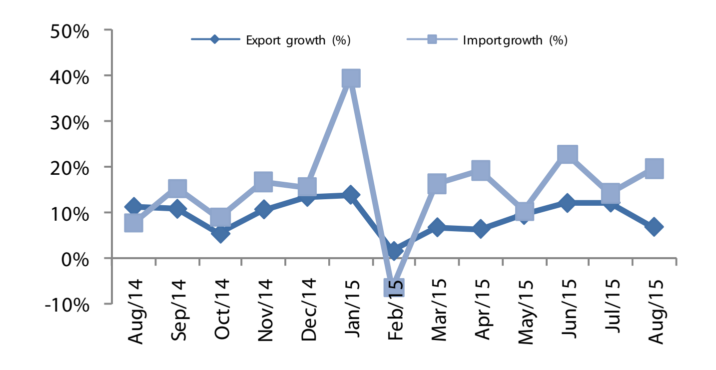
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



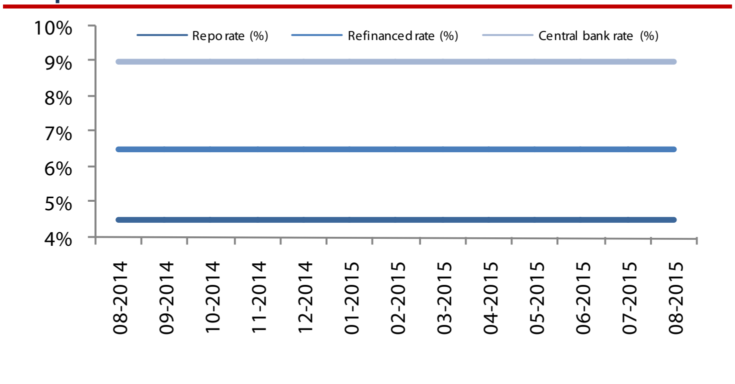
Sources: GSO. Rongviet Securities database

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
PXS - Invest to strengthen construction capacity	Sept, 4th 2015	Accumulate - Intermediate	17,000
SHP - Positive over long-term	Sept, 3rd 2015	Accumulate - Intermediate	20,800
PET - Tracking the progress of Thanh Da land plot transfer	Aug, 20th 2015	Stable	N/a
VNC - Embrace the new wave of international commerce	Aug, 14th 2015	Neutral – Long term	28,900
MAC – Bigger Propellers, further waters	Aug, 7th 2015	Buy – Long term	17,600

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	08/09/2015	0% - 0.75%	0% - 2.5%	11,844	11,861	-0.14%
VEOF	08/09/2015	0% - 0.75%	0% - 2.5%	9,791	9,874	-0.84%
VF1	11/09/2015	0.2% - 1%	0.5%-1.5%	22,509	22,496	0.06%
VF4	11/09/2015	0.2% - 1%	0%-1.5%	10,037	10,024	0.12%
VFA	11/09/2015	0.2% - 1%	0%-1.5%	7,100	7,032	0.97%
VFB	11/09/2015	0.3% - 0.6%	0%-1%	12,313	12,303	0.08%
ENF	04/09/2015	0% - 3%	0%	11,207	11,297	-0.80%
MBVF	27/08/2015	1%	0%-1%	10,416	10,364	0.50%
MBBF	03/09/2015	0%-0.5%	0%-1%	12,328	12,304	0.20%

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