Investment Strategy September 2019

NOT THE RIGHT TIME FOR RISK-TAKING

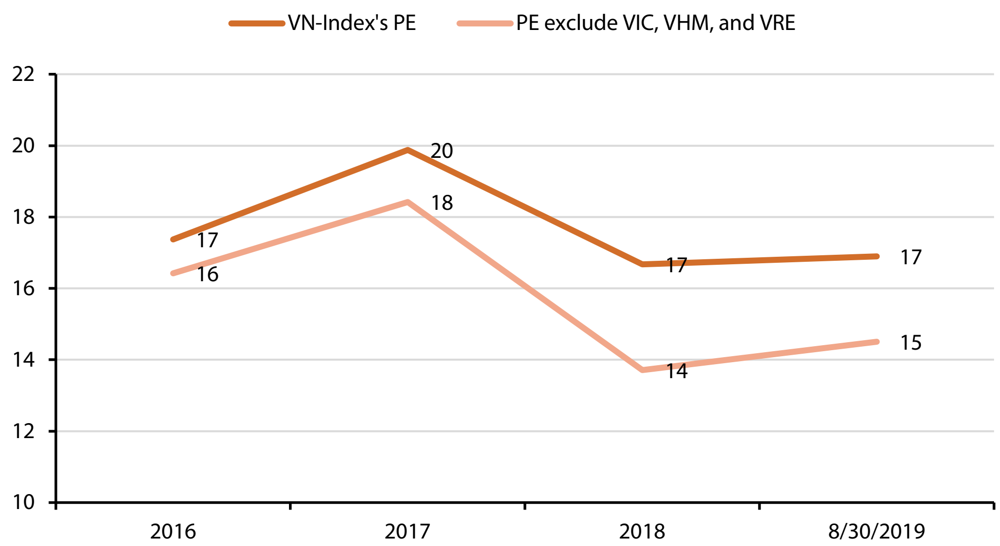
Foreign investors net sold sharply during August. They net sell on most of Asian markets. We think Vietnam is still attractive compared to other markets as macro indicators are still in-line with the government's objectives. Moreover, while ROE of VN-Index is high compared to peers, its PE is in the middle of the range.

Foreign investors activity on HOSE has a one-month lag with the movement of ETFs flows. Hence, the probability of foreigners continuing to net sell is high. We also think ETFs fund flow may not be back in September due to 1) no sign of easing in US and China trade tensions, 2) investors becoming more risk averse, and 3) foreign investors may continue to redeem from E1VFVN30 ETF to raise capital for news ETFs.

The Ho Chi Minh stock exchange has announced three new indices. In which, the Vietnam Diamond Index is likely to be attractive the most to foreign investors because it will focus not only on foreign ownership limit but also on companies' fundamentals like the PE ratio. The exchange will probably release the components of the index in October. We expect that ETFs tracking these new indices will help draw new foreign capital. However, this should not happen in September.

To sum up, market movement has been impacted by external factors more than internal factors in recent months. We assume VN-Index is not likely to break 1,000 until a strong support comes to draw foreign and domestic capital. Although profit after tax's growth rate of leading stocks was lower in 1H2019, the figures were still positive. Hence, downside risks of VN-Index are not high now as in the beginning of 2019. We assume VN-Index will fluctuate in range of 950 and 990 for the rest of the year.

VN-Index is more attractive than its looks



Source: Bloomberg, Rong Viet Securities

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Vietnam's stock market has been moving in line with our expectations. The VNIndex failed to overcome the 1000 level due to rising risks globally coupled with a domestic tightening of monetary conditions. Market liquidity has not improved yet. As discussed in the market outlook, we think that this trend will remain the case for the remainder of the year. The market will, therefore, be influenced more by external factors rather than internal ones. Investors who are short-term traders may be able to increase profits or lower their average buying price as the market fluctuates. This strategy, however, is not for the majority of investors. We think that ones need to avoid buying at high prices and cautiously using leverage. Capital should be spent to accumulate stocks with positive prospects during sudden corrections of the market.

Vietnam's macroeconomic conditions are still favorable for businesses, contrary to the challenges seen on some parts of the world. Macroeconomic indicators, though not as vibrant as in 2017-18, are still positive and in line with the government's objectives. Thus, we suppose a short-term sideways move of the stock market will create opportunities for investors to do research and accumulate stocks that are independent from global trade issues.

Considering Vietnam's positive macro indicators as well as the continuous favorable business environment, we rate sectors from good to positive for those which are directly or indirectly related to consumer spending, like retail, aviation, technology, insurance and pharmaceuticals.

Meanwhile, we maintain a negative rating for sectors whose business activities are highly cyclical, or have a high contribution of material expenses in their production costs, as well as sectors where Vietnam does not have the advantage of scale. These groups include steel, construction and construction materials, chemicals (fertilizers, agricultural chemicals and natural rubber).

The global trade picture became gloomy after the escalating US-China trade war. Beside positive factors, sectors related to import and export will also face many challenges. Export-related industries can benefit but also face many difficulties. Meanwhile, the trend of shifting production from China to other Asian countries is still ongoing. Therefore, we keep an optimistic view in the short and medium term for the logistics, transportation/seaport and industrial park sectors.

Analysis of 55 stocks of Rong Viet Research, discussion with companies and specific evaluation in the "Company Report" or "Analyst Pinboard"

Currency Weakness Is Not Necessarily What You Expect It To Be

We met with economists and country specialists at the IMF in Washington in late August. Currencies, trade war (s), global imbalances, fiscal policies were the main topics of discussion.

In its official discourse the IMF believes that the state of the global economy is compromised by ad-hoc policies taken by some leaders. No need to engage more on this. It came out to our attention that recent work by the IMF[1] estimated that a 10% depreciation of a country's currency, vis-à-vis all other currencies, improves its trade balance by about 0.3% of GDP in the next 12 months, on average. This is a very small impact for such a large move in one's currency. Their analysis is based on the premise that most of global trade is invoiced in US$. Which is not necessarily true anymore as the Euro and the RMB denominated trade has risen following, among other reasons, various central banks swap agreements with the ECB and the PBoC.

Nevertheless, the key point is that manipulating a currency may have a very insignificant impact on exports and GDP growth overall. In fact, it would probably be wise to look at such a move, i.e. letting one's currency depreciate, as negatively impacting the current account balance via capital outflows.

Meanwhile a 'perceived' currency overvaluation by policymakers, leading to a weakening or depreciation of it, usually involves a series of responses by trade partners including imposing tariffs on this country's imports. One key aspect to keep in mind: tariffs and exchange rates work differently. A 10 percent tariff does not necessarily offset a 10 percent currency appreciation. Looking at the US-China trade dispute clearly indicates a discontinuity between tariffs and the exchange rate. According to the IMF, since early 2018, the average US tariffs on goods imported from China has increased by about 10-11 percent. Meanwhile the RMB has depreciated relative to the dollar by 15%. In reality US importers and consumers are the ones bearing the burden of the tariffs. Why? The stronger US dollar has had a minimal impact, thus far, on the dollar prices Chinese exporters receive from selling their products in the US because of dollar invoicing.

Meanwhile the Trade Weighted US Dollar Index is at a record high (see below). This still irritates a particular member of the White House.

Figure 1

[1] 2019 External Sector Report, IMF, July 2019

The recent months sharp moves in currencies around the world, including for some major ones, depicts a climate of confusion and in a certain way risk aversion.

Table 1: Currency Change Versus US Dollar Since July 1, 2019

Currency	% Change
Euro	-3.6
Renminbi	-5.3
British Pound	-4.8
Japanese Yen	+2.4

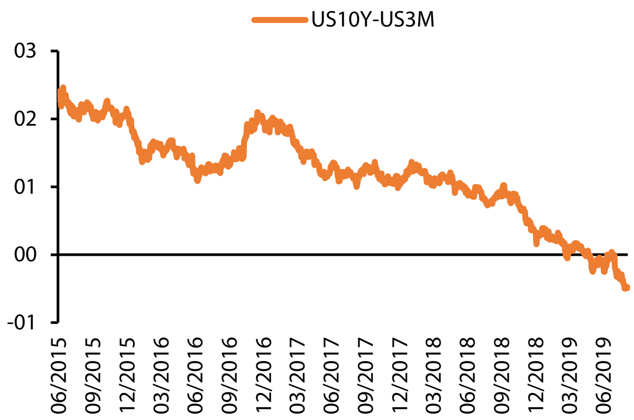
Source: TradingView

In Vietnam the Dong has been very stable versus the US Dollar, having barely budged so far in 2019. The VND can stay at current levels provided the macroeconomic and financial situation of the country remains FX reserves growth positive or at least not declining. The Argentinian experience of two weeks ago, a sharp depreciation of the Peso organized by policymakers followed by a plunging stock market and eventually the imposition of capital controls, reminds us that capital markets can be very fickle.

Figure 2: US Dollar/ Argentine Peso

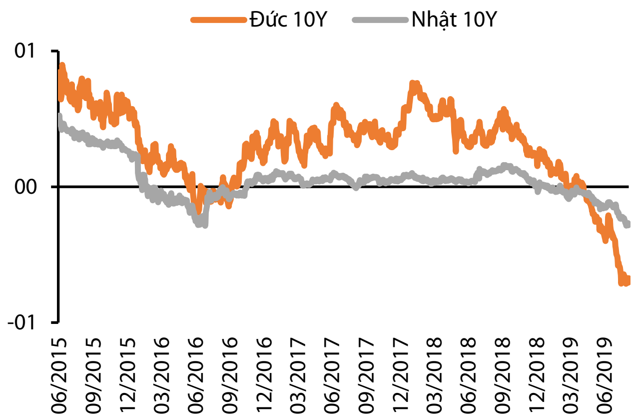
GLOBAL ECONOMIC INDICATORS IN AUGUST

US G-Bond yields' gap (%/year)



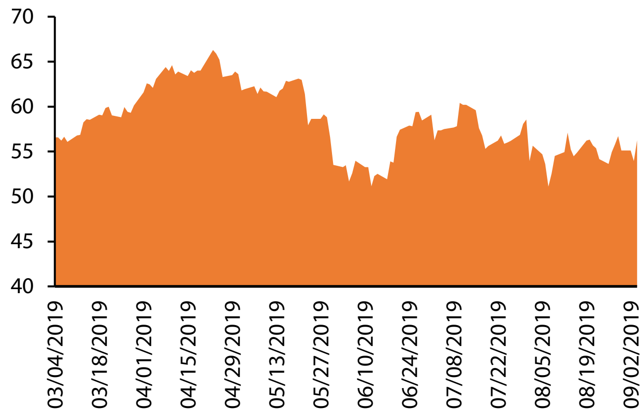
Source: Bloomberg, Rong Viet Securities

Germany and Japan G-Bond yields (%/year)



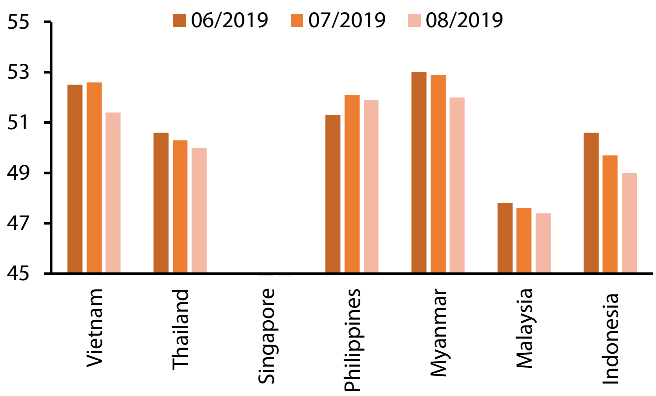
Source: Bloomberg, Rong Viet Securities

WTI crude oil price (USD/barrel)



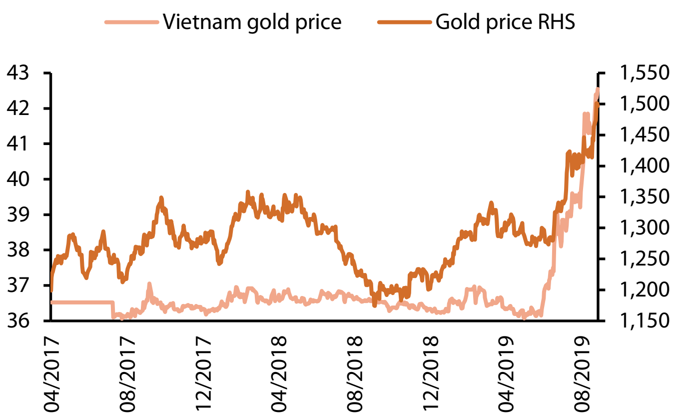
Source: Bloomberg, Rong Viet Securities

ASEAN's PMI



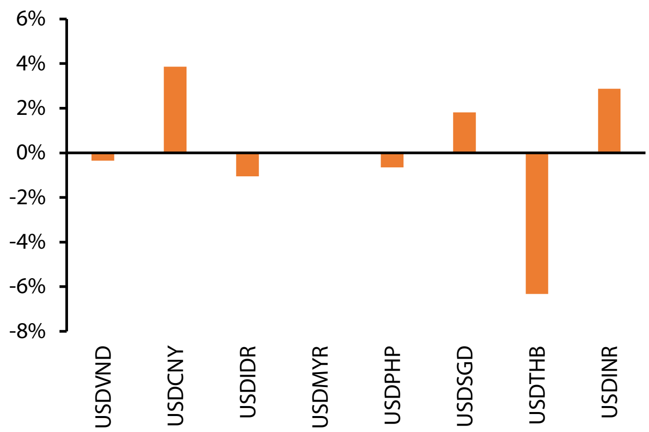
Source: Bloomberg, Rong Viet Securities

Gold prices



Source: Bloomberg, Rong Viet Securities

FX rates



Source: Bloomberg, Rong Viet Securities

- Industrial Production Growth Still High Mostly Due To Coal Mining
- Including Non-Observed Economic Sectors Into GDP Calculation
- The FX And Interbank Markets

Industrial Production Growth Still High Mostly Due To Coal Mining

According to the General Statistics Office of Vietnam (GSO), the industrial production index (IPI) rose by 10.5% YoY in August, reaching its highest level since the beginning of 2019. However, that was due to the huge rise of mined coal output in the last two months. By contrast, the manufacturing sector has been weakening and its growth has been softening gradually in the last four months. Although the slowdown in manufacturing will go on, we do not foresee a significant drop that would force us to revise down our forecast of GDP growth of 6.8% YoY for 2019.

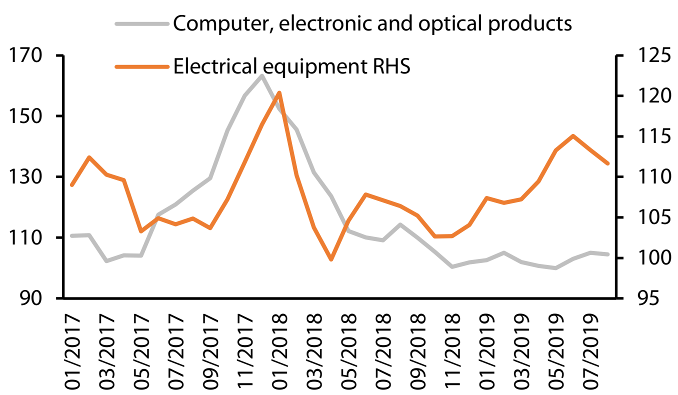
Coal output surprisingly shot up in July and August as an average growth rate of 30% YoY. Demand by electricity generators played a decisive role as the water level of hydro power factories was significantly low even at the beginning of the raining season.

The manufacturing sector was not positive. Imports of materials jumped by 20% MoM. However, the production output and export revenues eased compared with last year. In addition, the contribution to GDP growth of large-scale projects, as we mentioned in previous reports, has been fading. The most notable example is related to the oil refinery company, Nghi Son. Its output growth is shrinking by 14% YoY in the last three months. The number is likely to keep decreasing as the maintenance process will start in October.

Car makers' production shared the similar direction due to the competitiveness of imported products. According to Hai Phong city's statistics, VinFast's output missed the monthly target and most products are small-size cars.

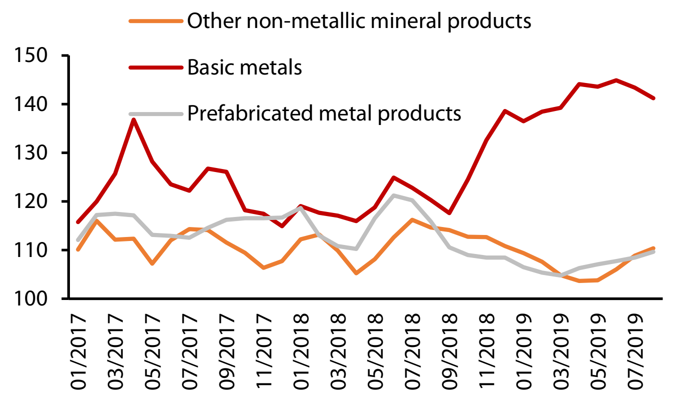
Metal producers are stabilizing after the last 6 month of climbing up thank to Formosa's 2nd development phase. While the 3nd development phase is on the table, the steel-manufacturing project, Hoa Phat-Dung Quat, will be on in the next 12 months. The 2nd blast furnace will come into operation in October 2019. The 3rd and 4th ones will be operating next year. The industrial production indices of textile and wood are moderate.

Electronics production



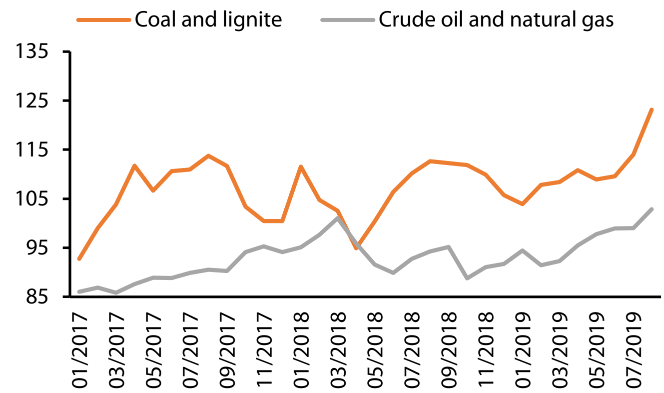
Source: GSO, Rong Viet Securities

Metals production



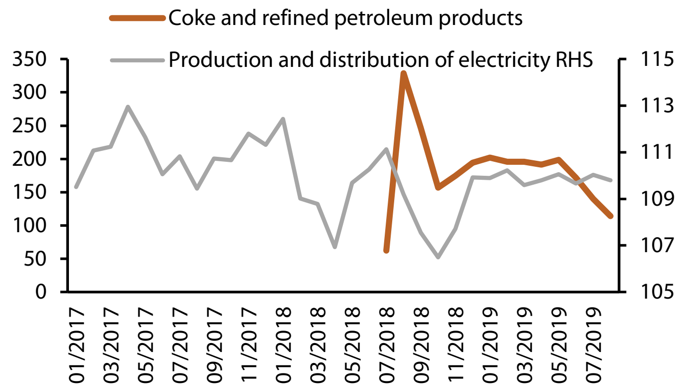
Source: GSO, Rong Viet Securities

Coal and Crude Oil mining



Source: GSO, Rong Viet Securities

Electricity and gasoline production



Source: GSO, Rong Viet Securities

Wood and Furniture production

Source: GSO, Rong Viet Securities

Textile production

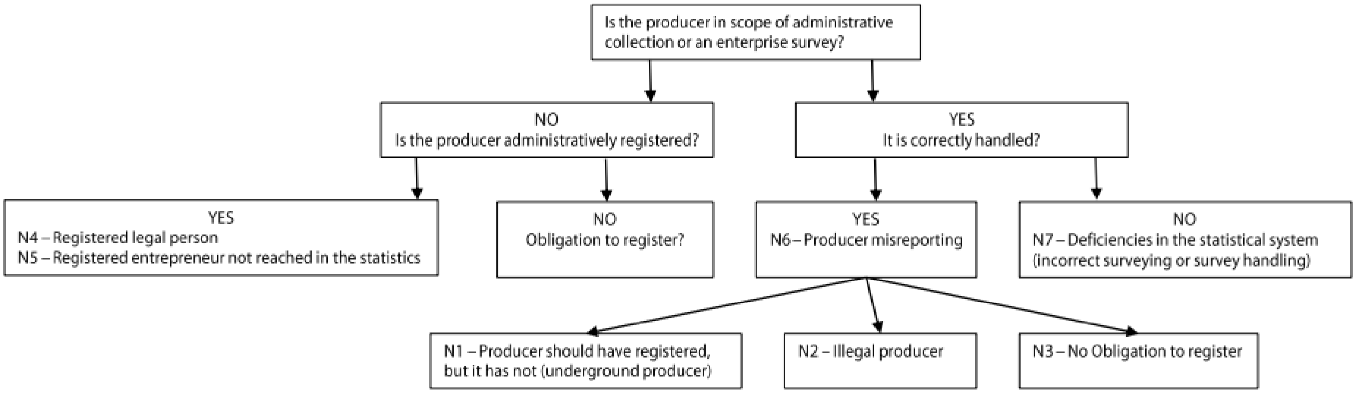
Source: GSO, Rong Viet Securities

Including Non-Observed Economic Sectors Into GDP Calculation

At the end of August, GSO published the preliminary number of revised GDP. Vietnam's economic size is estimated to increase by 25.4% per year and be over USD 300 Bln this year. Some views and lessons from the EU.

According to the IMF, the non-observed economy is classified into four groups, consisting of 1) economic underground, 2) Informal and own account production, 3) statistical underground and 4) Illegal activities. In the EU, the 2010 version of European System of Account allowed its members to count on non-observed economic sectors, including illegal ones beginning in September 2014. The wording said that prostitution, illegal buy/sell drugs and stolen property, etc are transactions that should be included in GDP calculations. However, the application was different to each countries given their own system. For example, Germany, Hungary, Austria and Greece added revenue of prostitution.

Figure 3: Classification of non-observed economy

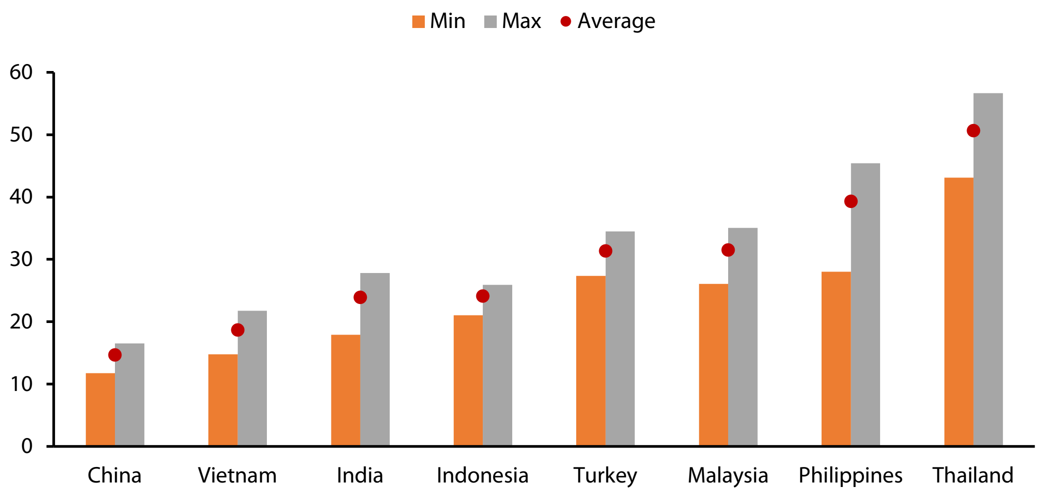


Economic underground: N1 + N6
Informal and own account production: N3 + N4 + N5
Statistical underground: N7
Illegal: N2

Source: IMF, Rong Viet Securities

Currently, we see a big gap between the results of calculating the 'non-observed' economy given different approaches used by independent economists. Here, we want to show the number of IMF's working papers, conducted by two economists Leandro Medina and Friedrich Schneider. Accordingly, Vietnam's non-observed economy scale was in the 14.8-21.5% of GDP in 1991-2015. That was higher than China and different to GSO's published figure.

Figure 4: Size of non-observed economy of countries in 1991-2015



Source: IMF, Rong Viet Securities

Revising up Vietnam's economic size from 2020 will lead to many fiscal and credit indicators such as public debt/GDP, public deficit/GDP and total outstanding credit/GDP to drop immediately. For example, the public debt and total outstanding credit will be 50% and 100% of GDP, respectively if GDP is revised up by 25.4%.

On the one hand, we foresee a more room-to-run fiscal/financial policies as the next 3-year prospect seems not optimistic. A third of public debt will mature soon and infrastructure projects such as North-South Highway, Long Thanh International Airport will start being built. With limited fiscal room, Public-Private Partnership (PPP) is key to open the capital markets. However, the preliminary results of auctions of choosing constructers for North-South High Way raise issues. That is the domination of Chinese companies.

On the other hand, the concerns about effectiveness of additional public investment is reasonable after the lessons of 12 bad-performing projects of MOIT and urban railway projects. Besides, GSO should publish the detail report of GDP re-calculation due to the significant gap between different approaches of independent economists and the department. We focus on the contribution of corporations of Ministries of Public Security and National Defense. The current figures show that such corporations take big roles in a variety of industries in Vietnam as 2018's total revenue accounts for 5% of GDP although the number of companies is not that high.

The FX And Interbank Markets

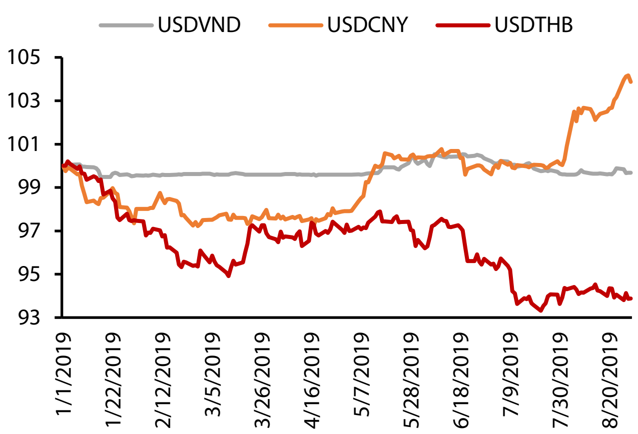
There is no stressful signs of USD liquidity in the banking system while the gap between interest rates on USD and VND is in a safety zone. Given our market view, there is de-correlation of regional currencies due to divergence of fundamental macro-economies. On the front of economic view, there are two things worth pointing out, including 1) Domestic manufacturing capacity's upgrade has reduced the force of importing consumer goods, 2) The USD demand of exporters are offset by their own revenue, which makes a balance.

In relation to the FX market, State Bank of Vietnam (SBV) is fastening the role of anti-Dollarization through converting the lending-borrowing into buying/selling activities. Since September 31st 2019, financial institutions will stop lending mid- and long-term USD loans to companies which produce domestically consumed products. The short-term USD loans for such companies are also restricted since March 31st 2019.

On the policy operating front, the more the economy globalizes, the stricter the role of anti-Dollarization is. That is to minimize the spillover effect of external risks. However, the targeted companies will have to suffer a higher borrowing cost due to the big enough gap between interest rates on VND and USD loans. The former' rate range is in 6-8%/year while the later's is in 2.8-4.7%/year. Meanwhile, exporters will pay for future/forward contracts to fix a part of FX risk.

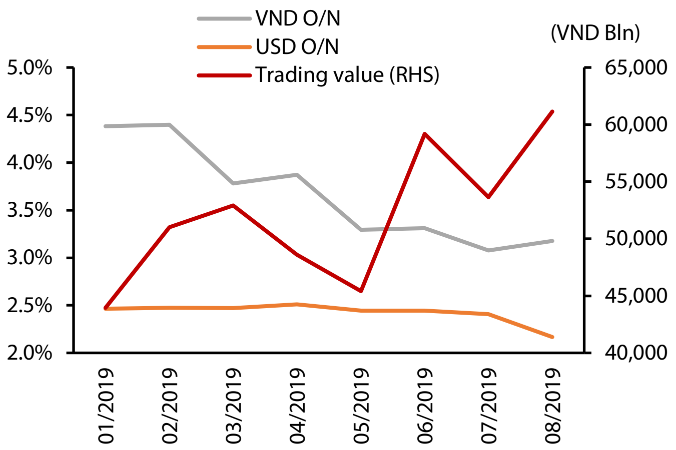
In the short term, the demand for the VND will increase due to capital inflows The overnight interbank rate has gone from 3%/year and reached the threshold of 5%/year. Liquidity has soared. However, SBV intervened by using OMO channels. We are not very concerned about the recent fluctuation of interbank rates.

Figure 5: FX change (YTD)



Source: Bloomberg, Rong Viet Securities

Figure 6: Overnight Interbank Rates



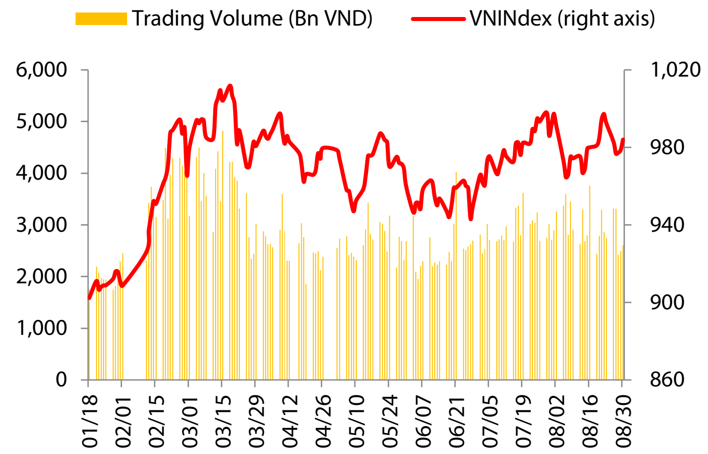
Source: SBV, Rong Viet Securities

VIETNAM'S STOCK MARKET IN AUGUST: CORRECTION BEFORE THE 1,000 RESISTANCE

Contrary to a positive July for the market, escalating trade war tensions in August combined with more cautious investors as the VN-Index approached the resistance level of 1,000 have dragged the indices down again. Despite the recovery in the second half of the month, strong net selling pressure from foreign investors quickly ended the positive momentum.

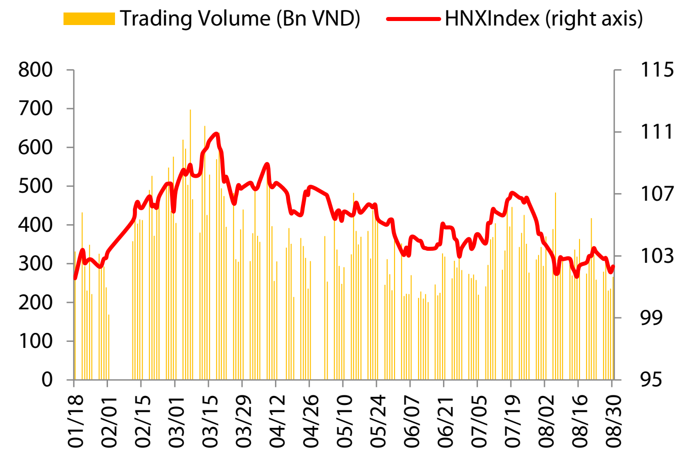
Thus, since the peak in early March, four times has the VN-Index corrected after approaching the resistance level of 1,000. However, unlike previous times, the corrections/recoveries are now shorter. It appears that 'hot' money dominates trading.

Figure 7: VNIndex movement in August



Source: RongViet Securities

Figure 8: HNXIndex movement in August

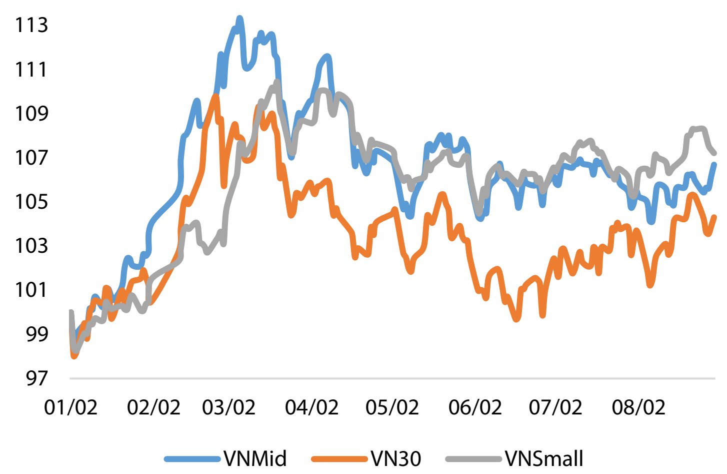


Source: RongViet Securities

VN-Index decreased by 0.8% in July, while all three sub-indices VN30-Index (+1.1%), VNMID-Index (+1.7%) and VNSML-Index (+1.9%) gained.

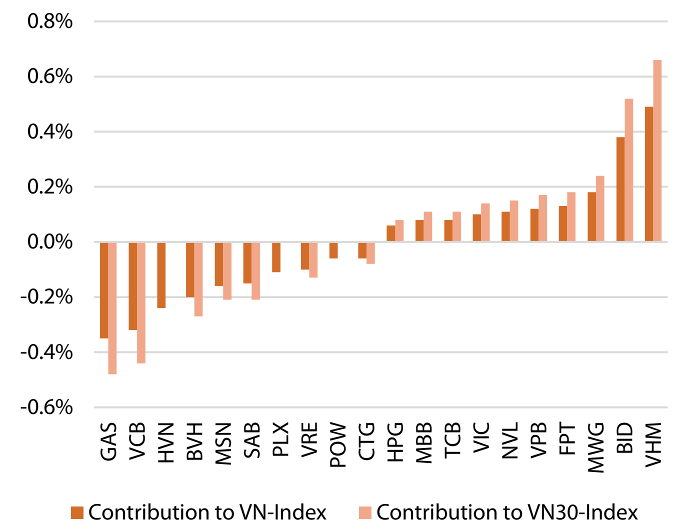
However, the increase of the VN30-Index did not reflect a positive picture for all large cap stocks. For example, some stocks that contributed significantly to the decline of VN-Index such as HVN, PLX and POW are not included in the VN30-Index basket.

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



Source: FiinGroup, RongViet Securities

Figure 10: Some significant contributors to the indices

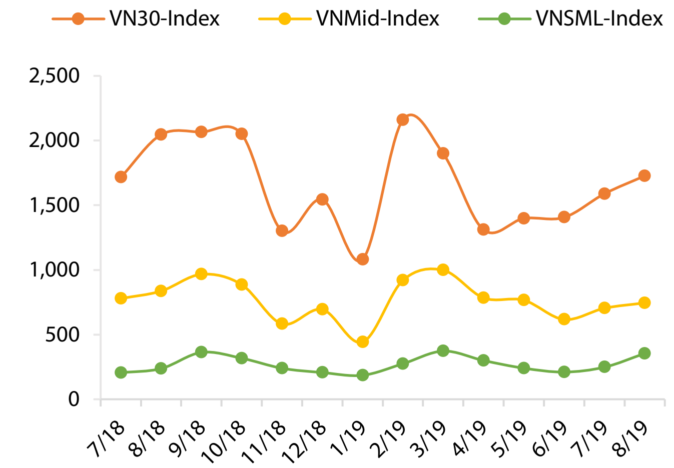


Source: FiinGroup, RongViet Secrities

Average liquidity per day reached nearly VND 3,000 bn, a slight increase compared to July. Gaining sessions often had higher liquidity than the average, indicating that demand at lower price levels was quite abundant.

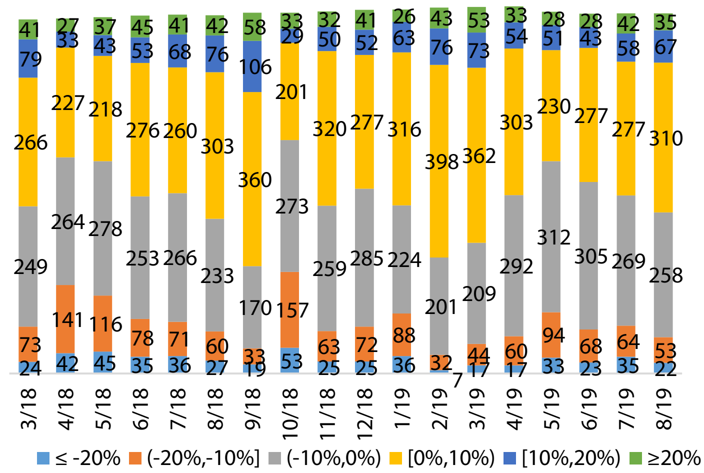
While in July only blue chips increased sharply but most of mid/small caps were in the red, August saw the opposite. Large caps dropped while small/middle caps recovered. Thereby, market breadth improved with only 45% of stocks falling, compared to 50% in July. Money focused on industrial real estate, natural rubber and Viettel stocks.

Figure 11: Average monthly order-matching value on HOSE (VND bn)



Source: FiinGroup, RongViet Securities

Figure 12: Number of stocks by performance

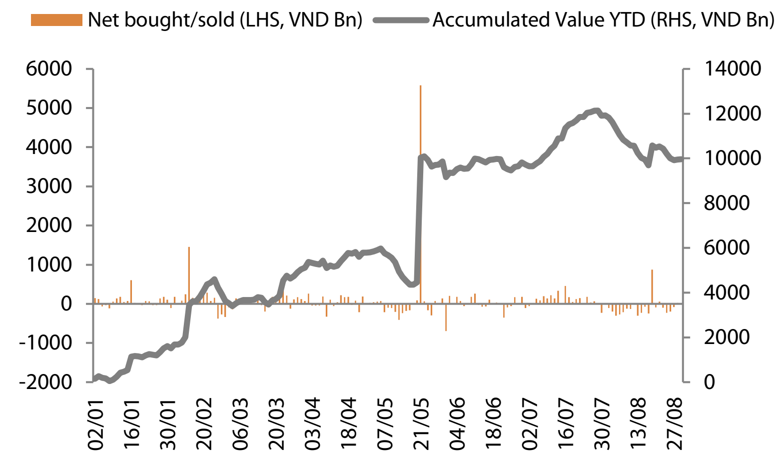


Source: FiinGroup, RongViet Securities

Foreign investors trading

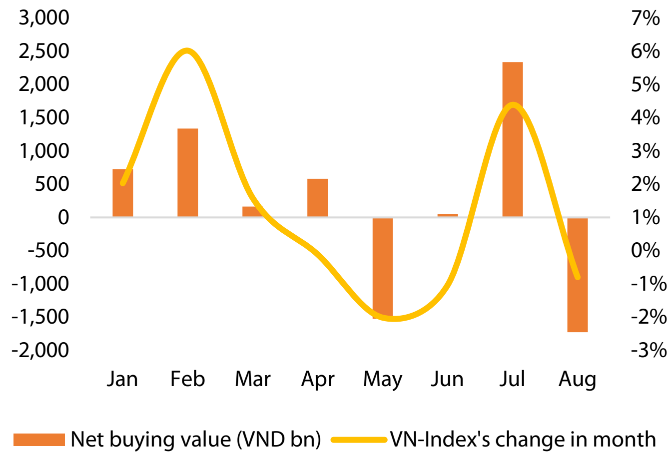
Foreigners were net sellers in August, the largest value since the beginning of the year. However, unlike in May when the VNIndex lost nearly 2% of its value, in August market liquidity improved and domestic demand helped mitigate the negative impact from foreign investors. Some notable names among the net buying stocks: VIC (+VND 1,056 bn) and CMG (+ VND 212 bn), while top net-selling stocks were VJC (-VND 1021 bn), HPG (-VND 521 bn), VFMVN30 fund certificates (-VND 464 bn) and VRE (-VND 247 bn).

Figure 13: Net trading value by foreign investors



Source: FiinGroup, RongViet Securities

Figure 14: Foreign net buying (order match) has high correlation with VN-Index

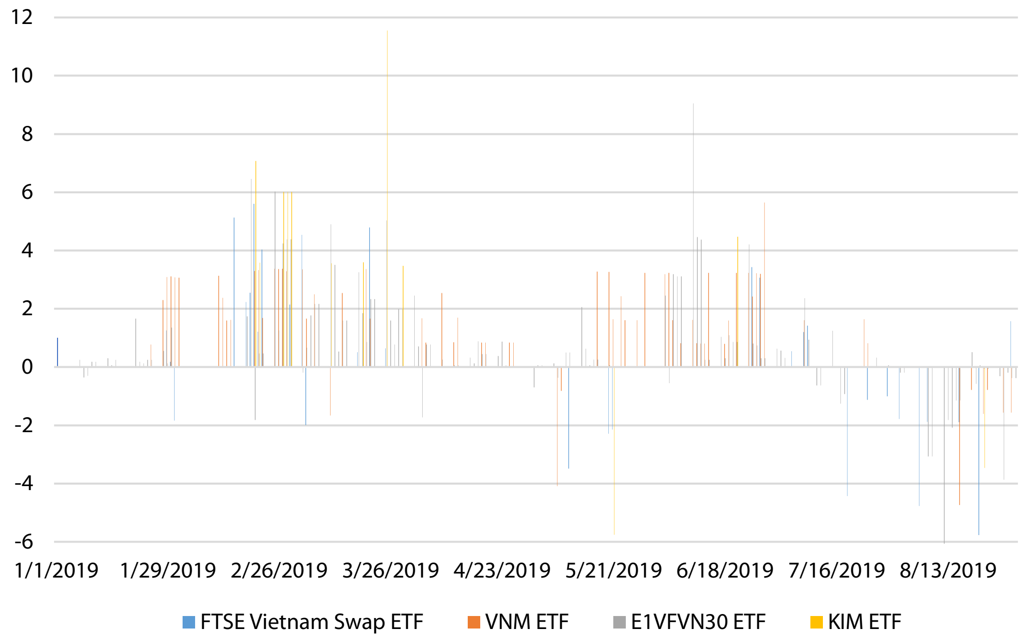


Source: FiinGroup, RongViet Securities

As predicted in the August strategy report, based on observations since the beginning of the year, foreign trading on the exchanges last month was quite negative with ETFs stopping to receive inflows and thus, no new money flew into the stock market. August was the least positive month for ETFs with net withdrawals reaching more than USD 50 mn, the highest level since the beginning of the year. This raises our concerns about the scarcity or even net withdrawal of foreign money in the stock market.

All major ETF funds withdrew in August: Vaneck (-USD 11 mn), FTSE (-USD 14.5 mn), KIM (-USD 3.5 mn) and VFMVN30 (-USD 24 mn). Meanwhile, the amount of money coming through the new Premia fund was negligible (+USD 0.8 mn).

Figure 15: ETFs' issuance value (USD mn)



Source: Bloomberg, Rong Viet Securities

Table 2: Foreign investors' net trading by sector in both exchanges

Sector	HSX Net volume (thousand shares)	HSX Net value (VND Bn)	HNX Net volume (thousand shares)	HNX Net value (VND Bn)
Oil & Gas	8,748	252	-2,817	-60
Chemicals	-3,570	-82	478	12
Basic resources	-23,295	-536	-39	2
Construction and building	-237	46	971	-62
Industrial goods & services	-2,208	-52	-480	-9
Automobile & parts	-869	-9	-109	-0
Food & beverage	-1,567	-34	48	2
Personal & household goods	-41	16	-1,389	-28
Healthcare	-830	-31	46	0
Retail	-357	-3	8	0
Communication	-102	-6	39	1
Travel & leisure	-8,349	-1,033	3	0
Utilities	-7,021	-205	0	-0
Bank	-8,439	-161	-20	-60
Insurance	-1,231	-85	285	11
Real estate	-14,040	648	-594	-4
Financial services	-40,916	-644	-2,446	-18
Technology	5,285	212	-395	-5

Source: FiinGroup, RongViet Securities

Foreign investors continue to net sell

Foreign investors net sold VND 1,600 bn on HOSE in August. ETFs were redeemed the most since the beginning of the year, especially E1VFVN30 ETF. Like what we mentioned in our last report, foreign investors activity on HOSE has a one-month lag with the movement of ETFs flows. Hence, the probability of foreigners continuing to net sell is high.

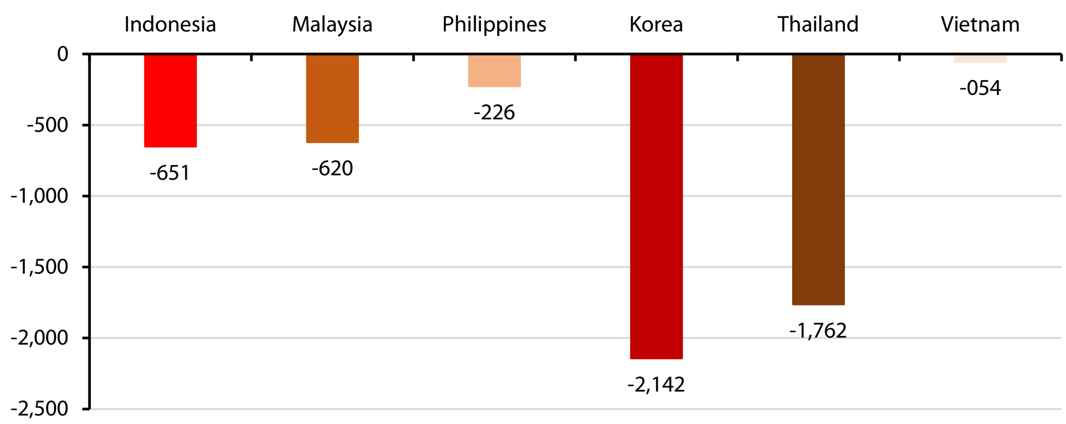
Additionally, we think ETFs fund flow may not be back in September due to 1) no sign of easing in US and China trade tensions, 2) investors becoming more risk averse, and 3) foreign investors may continue to redeem from E1VFVN30 ETF to raise capital for news ETFs.

The Ho Chi Minh stock exchange has announced three new indices. The Vietnam Diamond Index is likely to be attractive the most to foreign investors because it will focus not only on foreign ownership limit but also on companies' fundamentals like the PE ratio. The exchange will probably release the components of the index in October. We expect that ETFs tracking these new indices will help draw new foreign capital. However, this should not happen in September.

VN-Index is still attractive compared to other markets

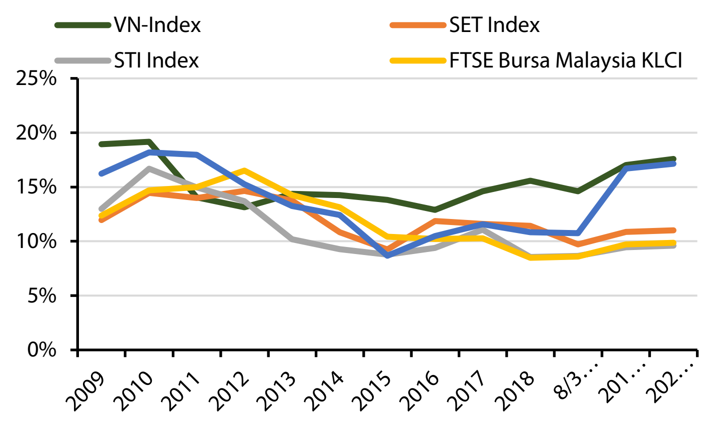
Foreign investor net sell on most of Asian markets but Vietnam was sold the least. We think Vietnam is still attractive compared to other markets as macro indicators are still in-line with the government's expectations. Moreover, while ROE of VN-Index is high compared to peers, its PE is in the middle of the range.

Figure 16: Foreign investors net sold the least in Vietnam (million dollars)



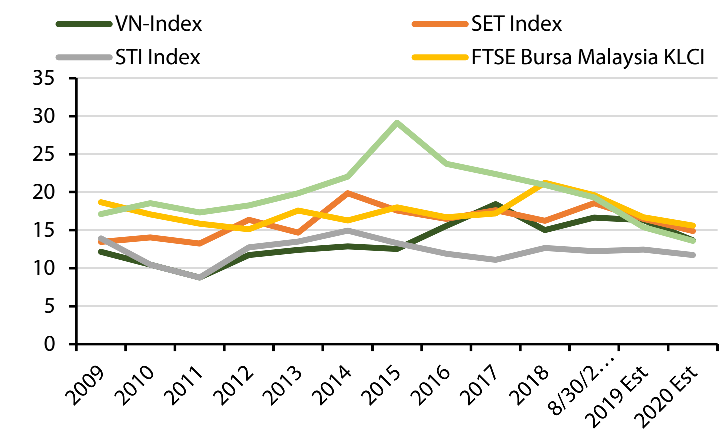
Source: Bloomberg, Rong Viet Securities

Figure 17: VN-Index's ROE is high among its peers



Source: Bloomberg

Figure 18: VN-Index's PE looks attractive among peers

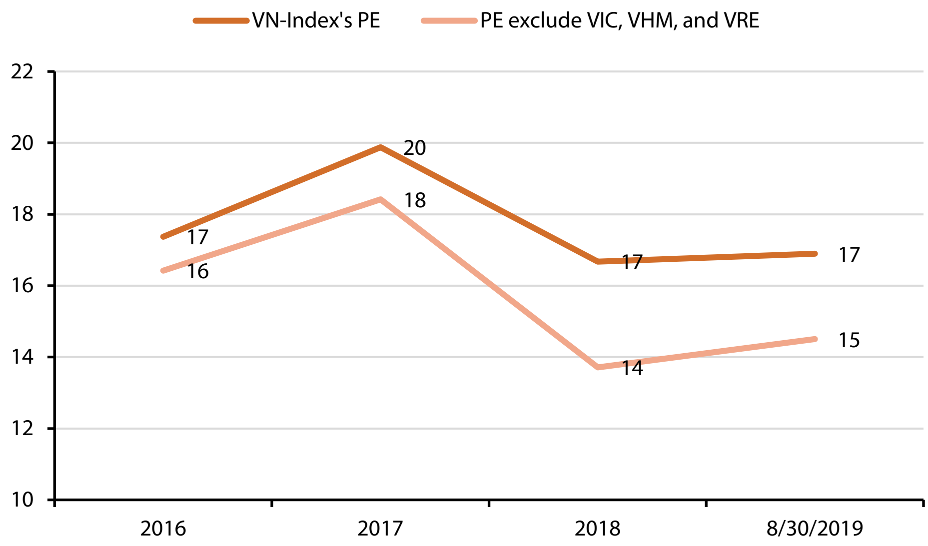


Source: Bloomberg

Some stocks such as the Vingroup family stocks (VIC, VHM, VRE) have high PE and high weights in the VN-Index, causing the index to look less attractive. We notice a big difference between PE of VNIndex with and without those stocks.

Like what we have mentioned before, for the stocks that have a reasonable PE but limited room for foreign investors, they can wait for new ETFs that will track the Diamond Index. We also expect these ETFs to be introduced soon.

Figure 19: VN-Index is more attractive than its looks

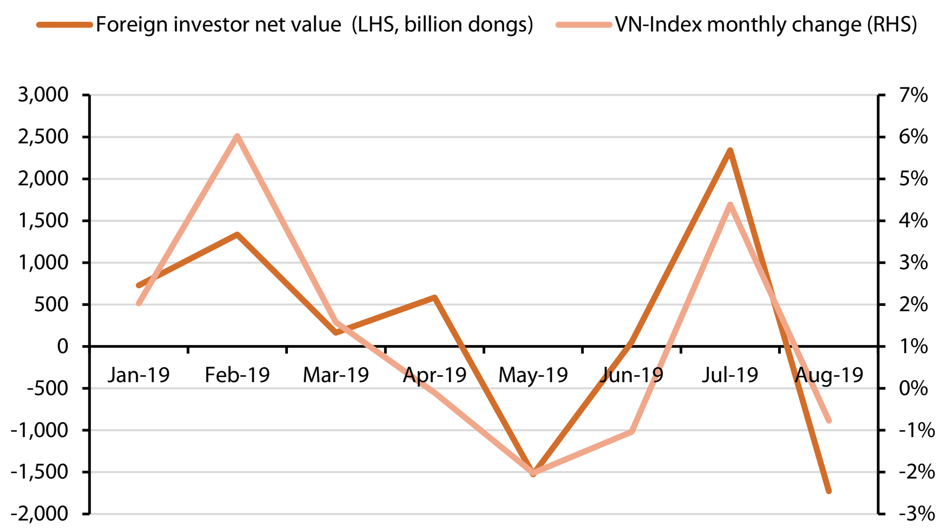


Source: Bloomberg, Rong Viet Securities

Note: PE of the Index is calculated by sum of products between price and share outstanding of all stocks divided by sum of all net income of 12 months for all stocks

To sum up, market movement has been impacted by external factors more than internal factors in recent months. We assume VN-Index is not likely to break 1,000 until a strong support comes to draw foreign and domestic capital. Although profit after tax's growth rate of leading stocks was lower in 1H2019, the figures were still positive. Hence, downside risks of VN-Index are not high now as in the beginning of 2019. We assume VN-Index will fluctuate in range of 950 and 990 for the rest of the year.

Figure 20: High correlation between VN-Index monthly change and foreign investor activities



Source: Bloomberg, Fiinpro, Rong Viet Securities

Not The Right Time For Risk-taking

Vietnam's stock market has been moving in line with our expectations. The VNIndex failed to overcome the 1000 level due to rising risks globally coupled with a domestic tightening of monetary conditions. Market liquidity has not improved yet. As discussed in the market outlook, we think that this trend will remain the case for the remainder of the year. The market will, therefore, be influenced more by external factors rather than internal ones. Investors who are short-term traders may be able to increase profits or lower their average buying price as the market fluctuates. This strategy, however, is not for the majority of investors. We think that ones need to avoid buying at high prices and cautiously using leverage. Capital should be spent to accumulate stocks with positive prospects during sudden corrections of the market.

Vietnam's macroeconomic conditions are still favorable for businesses, contrary to the challenges seen on some parts of the world. Macroeconomic indicators, though not as vibrant as in 2017-18, are still positive and in line with the government's objectives. Thus, we suppose a short-term sideways move of the stock market will create opportunities for investors to do research and accumulate stocks that are independent og global trade issues.

Considering Vietnam's positive macro indicators as well as the continuous favorable business environment, we rate sectors from good to positive for those which are directly or indirectly related to consumer spending:

- We expect growth from core businesses may be slower but more stable and sustainable than in the prior quarters.
- We are positive on retail, aviation, technology, insurance and pharmaceuticals.

Meanwhile, we maintain a negative rating for sectors whose business activities are highly cyclical, or have a high contribution of material expenses in their production costs, as well as sectors where Vietnam does not have the advantage of scale. These groups include steel, construction and construction materials, chemicals (fertilizers, agricultural chemicals and natural rubber).

The global trade picture became gloomy after the escalating US-China trade war. Beside positive factors, sectors related to import and export will also face many challenges. Export-related industries can benefit but also face many difficulties:

- Our view is neutral (compared to positive at the beginning of the year) for the fisheries, textiles and oil & gas sectors.
- The trend of shifting production from China to other Asian countries is still ongoing. Therefore, we keep an optimistic view in the short and medium term for the logistics, transportation/seaport and industrial park sectors.

Our view on sector outlook is presented in Sector outlook for 2H2019 report, issued on August 26. Please refer to our full report here for more details.

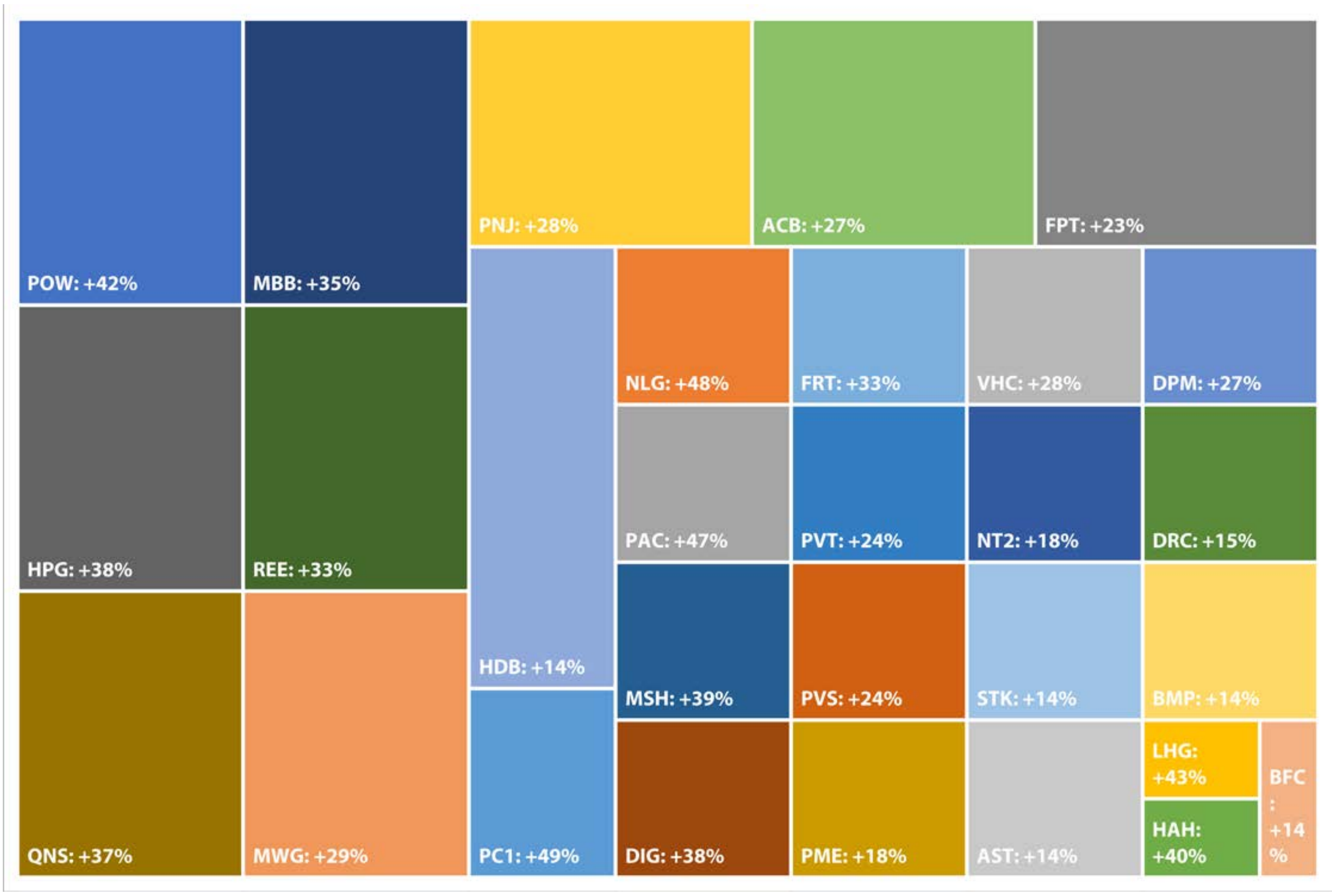
Sector rating

No.	Subsector	2019 Supply - Demand	Input price	Legal Environment	Long-term Growth Potential	Technological Development	Competition	View	Stock Picks	Watch List
1	RE - Industrial park	+	-	-	+		+	Positive	KBC, VGC	SZC, LHG, NTC
2	Logistic	+	-	++	++	+	-	Positive	GMD, HAH	TMS, EMS, VTP, TCW
3	Retails	+			+	+	+	Positive	MWG, PNJ	DGW, FRT
4	Aviation	+		-	+		+	Good	AST	ACV, SAS
5	Technology	+		+	++	+	-	Good	FPT	YEG
6	Automotive retail	+		+	+		-	Good	HAX	SVC, VEA
7	Insurance		-	+	++	+	-	Good	PGI	BVH, BMI
8	Phamarceutical	+	-	+	+		-	Good		PME, MKP, DBD, TRA
9	Fishery	-			+	+	-	Neutral	VHC	FMC, ANV
10	Textile	+	-	-	+	+	-	Neutral	STK, MSH	TCM, TNG
11	Power	+	-	-	+	+		Neutral	REE, POW	HND, CHP, PPC
12	F&B (Beer, milk)	+	-	-	+	+	-	Neutral	VNM, QNS	SAB, MCH
13	Oil & Gas	-		+		-	+	Neutral	PVT	PVD, PXS, PVB, PVS
14	Bank	+	-	-	++	+	-	Neutral	MBB, ACB	TCB, VIB
15	RE - Residential	-		-	++		+	Neutral	NLG, VHM	VIC, NVL, HDG, DIG
16	Automotive - Rubber Tires	+	+				-	Neutral	DRC	CSM
17	Securities	--	-	+	++	+	--	Negative		SSI, VND, HCM
18	Construction	-	-	-	++	+		Negative	PC1	CTD, TV2
19	Building materials	-	-		+	+	-	Negative	BMP	HT1
20	Steel		-	+	+	+	--	Negative		HPG
21	Chemicals - natural rubber	-				-	-	Negative		PHR
22	Chemicals - Fertilizers/ Agrochemicals	-	-		-		-	Negative		LTG, DPM, BFC
23	Others								PTB	

NOTES: SECTOR QUALITATIVE RATINGS

- *Our table of qualitative ratings is based upon six industry-wide criteria's, specifically: 2019 supply-demand outlook, legal environment, long-term growth potential, technological development and competition with ratings from 1 to 5 and different criteria weights across sectors.*
- *Positive sectors are sectors we believe will have growth opportunities and/or optimistic earnings outlook this year. Neutral sectors are driven by favorable factors but also have many external and/or internal risks; we believe these sectors would be more appropriate for investors with moderate-to-high risk tolerance and the ability to follow market fluctuations. For negative sectors, opportunities only open when critical problem(s) are resolved.*

Figure 21: Our favorite stocks in September 2019



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

HIGHLIGHTED STOCKS

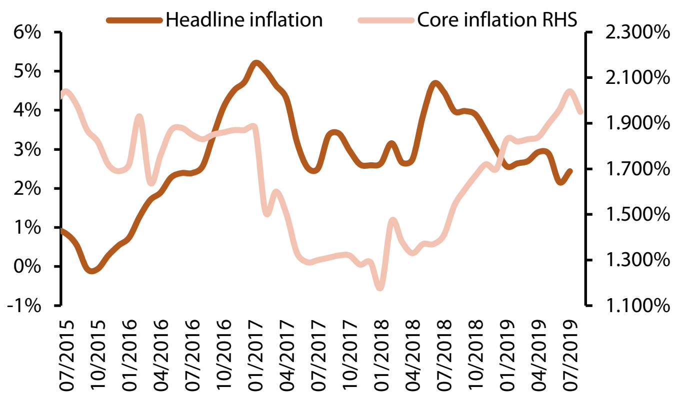
Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2018		2019F		2020F		PER Trailing (x)	PER 2019F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
NKG	HOSE	47	8,900	6,060	63.4	Buy	18.9	-92.0	5.3	68.4	15.9	175.0	-8.0	14.1	0.4	16.5	-53.7	210	59.4
PC1	HOSE	123	26,800	18,000	48.9	Buy	60.5	90.0	22.2	-11.6	-2.9	17.0	7.1	7.8	0.9	0.0	-13.6	134	11.8
DXG	HOSE	328	22,000	14,850	48.1	Buy	14.9	39.8	-4.5	4.4	0.0	6.6	4.9	6.2	1.2	0.0	-30.6	839	3.1
CHP	HOSE	123	29,000	20,600	48.1	Buy	-10.9	-21.5	57.6	110.4	29.5	27.2	16.6	14.4	1.6	7.3	-3.0	12	45.6
NLG	HOSE	302	41,900	28,300	48.1	Buy	24.8	55.0	-8.2	27.8	-44.1	12.1	8.7	7.0	1.6	0.0	2.8	1,425	0.0
PAC	HOSE	55	38,000	27,500	47.3	Buy	12.7	-42.6	9.6	11.4	10.8	7.5	7.2	7.3	2.0	9.1	-27.9	28	21.8
LHG	HOSE	38	25,000	17,500	42.9	Buy	-11.8	6.6	7.0	-8.7	17.6	30.5	6.6	5.4	0.8	0.0	-5.7	212	36.2
POW	UPCOM	1,299	18,000	12,900	41.9	Buy	5.3	107.8	4.4	45.6	18.0	23.6	15.5	12.4	1.2	2.3	0.0	1,389	34.3
HAH	HOSE	33	20,000	15,700	40.1	Buy	35.5	-8.3	3.7	-5.4	9.6	10.5	6.2	6.0	0.8	12.7	36.0	250	29.7
MSH	HOSE	117	72,000	54,500	38.5	Buy	20.4	84.6	13.8	17.0	10.1	9.7	8.8	6.7	2.4	6.4	0.0	456	41.1
DIG	HOSE	192	19,500	14,150	37.8	Buy	68.4	31.7	-9.2	26.5	162.8	37.0	14.6	10.5	1.2	0.0	-6.5	453	12.7
HPG	HOSE	2,563	29,700	21,600	37.5	Buy	22.0	0.0	19.7	-2.6	30.3	49.5	7.5	7.4	1.4	0.0	-28.0	5,830	11.3
QNS	UPCOM	469	40,500	30,700	36.8	Buy	5.2	20.8	-2.7	-6.3	17.4	10.9	9.0	8.1	1.9	4.9	-2.2	478	34.3
MBB	HOSE	2,089	30,500	23,000	35.2	Buy	40.9	68.3	22.7	21.2	22.1	20.4	7.1	7.0	1.4	2.6	2.3	4,619	0.0
REE	HOSE	480	46,000	36,000	32.8	Buy	36.5	26.0	9.7	-9.7	7.0	19.0	6.8	6.9	1.2	5.0	7.1	1,224	0.0
FRT	HOSE	136	52,000	40,000	32.5	Buy	16.0	20.0	12.4	10.6	9.8	15.1	8.7	8.5	2.6	2.5	-38.7	224	0.3
MWG	HOSE	2,243	151,000	117,900	29.3	Buy	30.0	30.5	21.7	35.0	25.2	36.7	14.9	13.8	5.0	1.3	35.1	4,446	0.0
TCM	HOSE	55	28,000	22,200	28.4	Buy	14.1	35.1	2.4	-11.6	6.9	24.0	5.4	6.2	1.0	2.3	8.8	843	0.1
VHC	HOSE	318	102,700	80,000	28.4	Buy	13.7	138.5	4.6	-14.3	10.7	-5.0	4.2	6.0	1.6	0.0	5.6	634	65.2
PNJ	HOSE	790	104,000	82,500	28.2	Buy	33.0	32.5	15.6	24.4	19.9	28.2	17.5	16.5	4.5	2.2	12.3	2,247	0.0
DPM	HOSE	230	16,400	13,650	27.5	Buy	16.0	0.7	-22.2	-53.0	28.6	101.8	13.8	19.1	0.7	7.3	-18.7	374	29.5
ACB	HNX	1,533	27,000	22,000	27.3	Buy	22.7	142.5	12.9	17.5	12.4	17.3	6.4	6.1	1.5	4.5	-13.4	1,389	-8.7
PVT	HOSE	212	21,300	17,550	24.2	Buy	22.4	44.9	8.3	-0.2	0.0	-7.5	7.3	8.1	1.2	2.8	6.0	612	18.9
PVS	HNX	425	25,080	20,700	23.6	Buy	-12.9	30.8	17.9	7.9	-12.3	-11.0	8.7	8.8	0.8	2.4	4.3	2,703	25.5
FPT	HOSE	1,551	63,500	53,200	23.1	Buy	17.0	35.0	23.2	26.9	15.1	19.3	12.3	10.9	2.7	3.8	38.0	3,691	0.0
PGI	HOSE	66	20,100	17,350	22.8	Buy	3.4	15.6	5.5	7.7	6.2	9.2	10.3	11.0	1.1	6.9	3.3	36	28.2
VSH	HOSE	170	22,100	19,200	20.3	Buy	17.5	10.8	101.9	7.7	44.0	7.7	25.5	10.5	1.3	5.2	11.3	21	36.1
PME	HOSE	177	63,000	55,000	18.2	Accumulate	3.2	8.0	11.0	6.5	14.0	14.6	13.7	12.6	2.3	3.6	-16.7	24	37.9
NT2	HOSE	311	27,100	25,100	17.9	Accumulate	13.4	-3.5	2.4	-3.7	0.3	4.7	10.9	9.8	1.8	10.0	4.2	164	27.2
DRC	HOSE	109	23,600	21,400	15.0	Accumulate	0.0	-0.2	9.1	11.5	5.8	16.8	16.8	17.6	1.7	4.7	-13.9	247	25.7
STK	HOSE	65	24,000	21,400	14.5	Accumulate	21.0	79.0	5.2	20.8	8.4	9.3	6.9	7.8	1.5	2.3	87.3	115	39.6
BFC	HOSE	37	15,900	15,200	14.5	Accumulate	1.6	-30.1	-4.4	-67.5	-0.6	22.2	9.1	14.9	1.0	9.9	-39.0	53	35.0
AST	HOSE	130	75,000	67,300	14.4	Accumulate	31.2	9.2	32.5	23.3	20.0	23.7	16.0	15.3	5.1	3.0	39.8	281	14.4
BMP	HOSE	173	51,100	49,100	14.3	Accumulate	15.6	-24.9	7.8	10.0	3.0	-3.7	9.8	9.1	1.7	10.2	-8.7	327	22.9
HDB	HOSE	1,077	29,000	25,550	13.5	Accumulate	38.5	136.6	14.7	17.5	13.6	18.7	8.5	7.5	1.5	0.0	-31.7	1,678	5.5
VRE	HOSE	3,403	38,550	34,000	13.4	Accumulate	-13.6	-17.2	2.5	21.7	13.3	22.2	31.7	27.0	2.9	0.0	13.1	4,471	16.8

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 (%)							
VNM	HOSE	9,266	134,000	123,800	12.3	Accumulate	3.0	-0.7	8.1	5.5	7.1	8.9	20.4	22.2	7.6	4.0	-2.0	6,505	41.0
GMD	HOSE	361	30,000	28,300	11.3	Accumulate	-32.0	263.8	5.6	-71.6	9.0	13.6	14.2	16.3	1.4	5.3	14.4	1,310	0.0
LTG	UPCOM	81	24,200	23,400	10.3	Accumulate	4.6	-8.1	-4.6	25.4	1.5	-12.6	4.0	4.3	0.7	6.8	-23.0	138	5.1
IMP	HOSE	102	51,000	47,950	10.1	Accumulate	1.7	18.2	1,423.3	7.9	-91.7	15.3	16.5	18.0	1.6	3.8	-4.7	26	0.3
VSC	HOSE	70	30,000	29,600	9.8	Accumulate	30.1	26.6	-5.8	-16.3	-3.1	-14.9	7.0	5.9	1.0	8.4	-13.8	198	8.9
ACV	UPCOM	7,449	85,000	80,000	8.9	Accumulate	16.0	50.0	14.4	14.0	1.2	5.6	25.4	27.6	5.4	2.6	-1.5	577	45.4
HAX	HOSE	31	19,600	19,500	8.2	Accumulate	33.1	8.1	12.0	9.6	10.3	11.1	7.3	6.6	1.6	7.7	40.2	86	40.9
VJC	HOSE	2,936	138,000	130,400	8.1	Accumulate	26.7	5.2	13.1	27.0	66.7	82.7	13.1	13.0	4.4	2.3	-8.1	5,389	11.4
HDG	HOSE	176	37,200	34,500	7.8	Accumulate	14.1	-16.0	48.1	7.7	27.5	22.5	4.0	6.3	2.0	0.0	30.8	909	33.5
SCS	UPCOM	386	160,000	157,000	7.0	Accumulate	14.8	20.7	12.4	14.9	16.5	21.1	19.6	17.6	10.3	5.1	-1.5	253	24.9
CTG	HOSE	3,201	21,300	20,000	6.5	Accumulate	-11.9	-27.1	36.6	47.6	6.3	10.2	13.6	12.9	1.0	0.0	-22.8	2,602	0.0
KBC	HOSE	317	16,200	15,700	6.4	Accumulate	98.8	27.9	12.9	13.3	-10.3	-8.8	8.5	8.8	0.8	3.2	35.3	1,664	24.0
VGC	HNX	365	20,100	18,950	6.1	Accumulate	-2.3	-6.4	-2.8	10.3	2.3	7.6	14.4	13.7	1.3	0.0	0.0	877	35.9
NCS	UPCOM	23	30,000	29,500	5.1	Accumulate	15.4	24.2	6.8	-17.0	6.9	7.7	12.6	14.5	2.5	3.4	-18.4	3	47.3
PPC	HOSE	350	23,000	25,400	2.4	Neutral	14.1	35.3	-3.6	-14.1	5.6	7.6	8.0	8.6	1.4	11.8	58.7	598	33.5
VCB	HOSE	12,323	75,000	77,300	-1.9	Neutral	33.6	61.1	16.7	23.3	13.9	15.5	16.3	17.7	3.8	1.0	28.4	3,022	6.1
BID	HOSE	5,672	37,000	38,600	-2.3	Neutral	14.0	8.4	21.9	11.1	14.2	33.3	18.5	22.0	2.4	1.8	18.8	1,835	26.7
VIC	HOSE	17,603	106,661	122,400	-12.9	Reduce	68.4	74.1	7.6	50.0	41.2	106.5	84.4	77.8	5.1	0.0	19.9	5,397	33.7
PHR	HOSE	366	30,200	62,900	-48.8	Sell	40.4	48.5	-9.4	211.4	8.8	-15.0	15.0	10.2	3.2	3.2	164.1	1,487	41.4

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

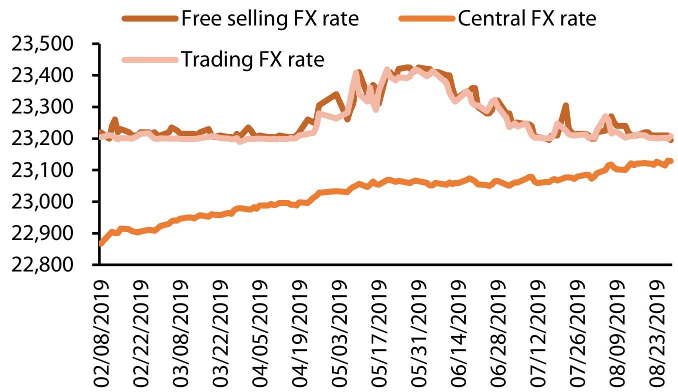
VIETNAM ECONOMIC INDICATORS IN AUGUST

Inflation (%, YoY)



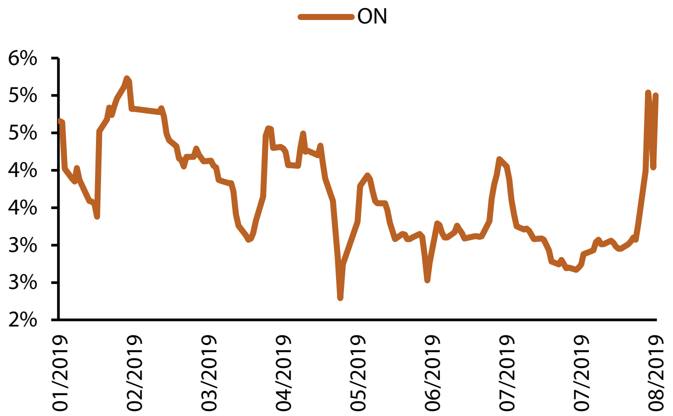
Source: GSO, Rong Viet Securities

USDVND exchange rate



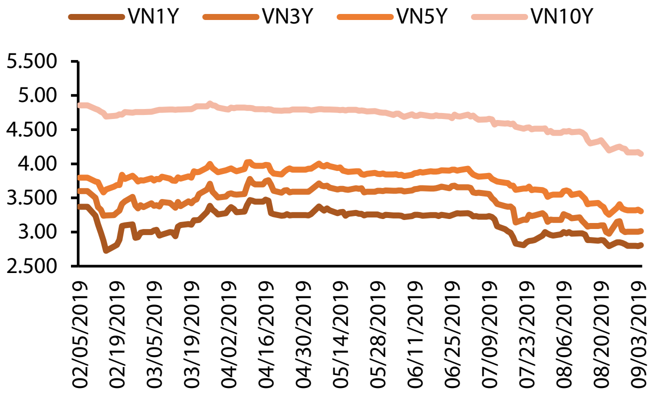
Source: SBV, Rong Viet Securities

Interbank interest rate (%/year)



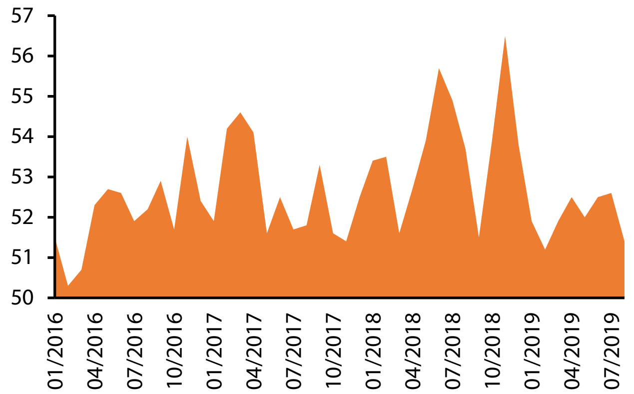
Source: SBV, Rong Viet Securities

G-Bond yields (%/year)



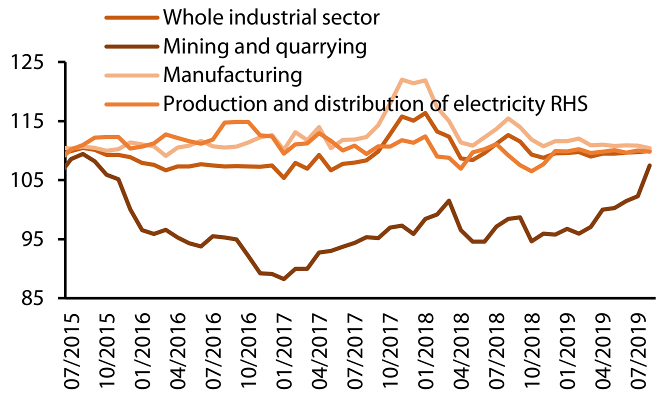
Source: Bloomberg, Rong Viet Securities

Manufacturing PMI



Source: IHS, Rong Viet Securities

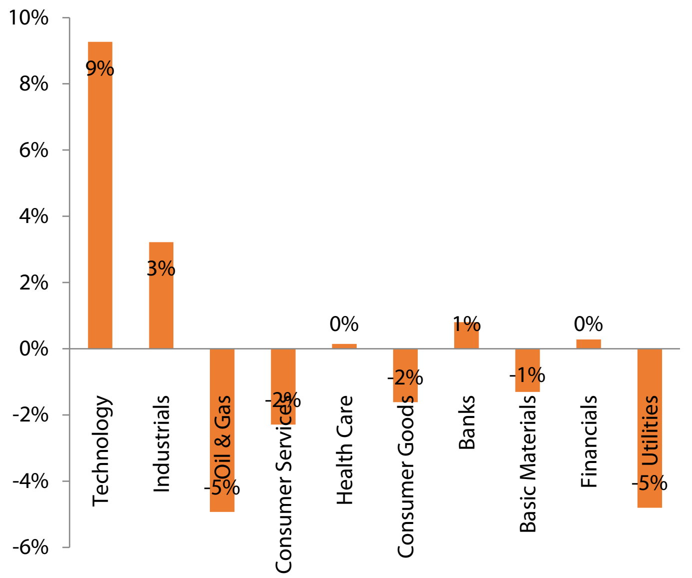
Industrial Production Indices



Source: GSO, Rong Viet Securities

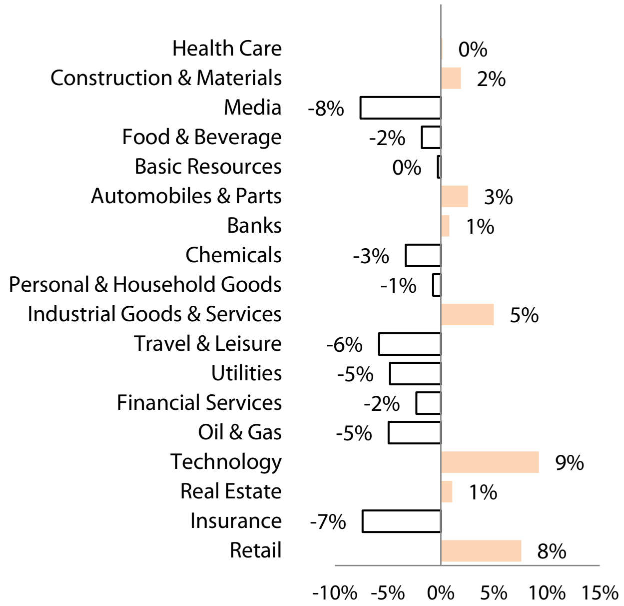
INDUSTRY INDEX

Level 1 industry movement



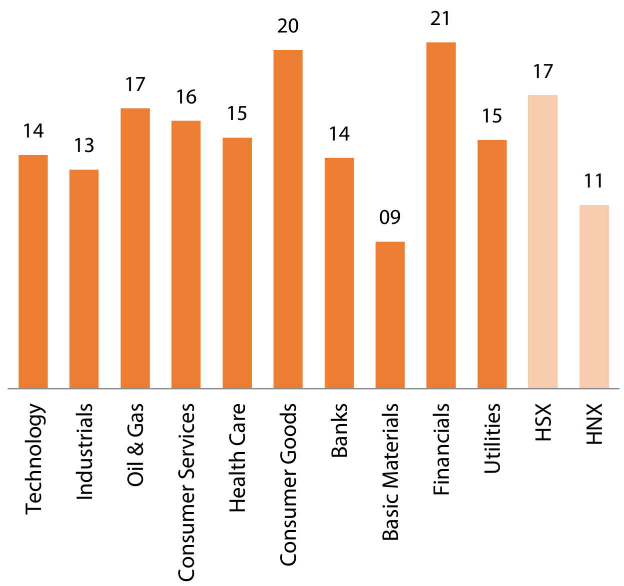
Source: Fiinpro, RongViet Securities

Level 2 industry movement



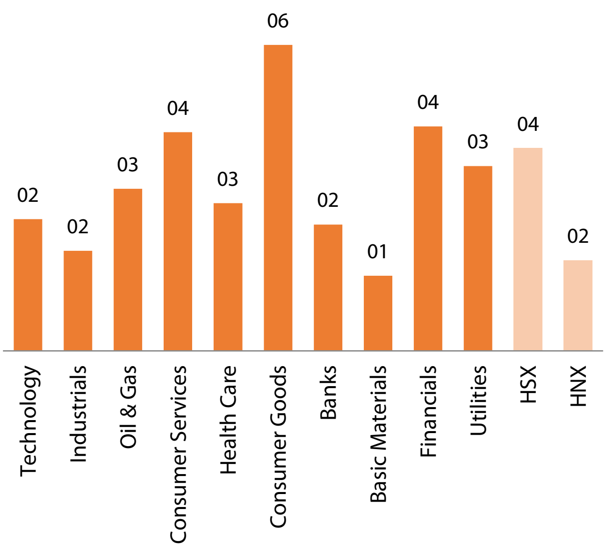
Source: Fiinpro, RongViet Securities

Industry PE comparison



Source: Fiinpro, RongViet Securities

Industry PB comparison



Source: Fiinpro, RongViet Securities

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