JANUARY

03

TUESDAY

*"The Market Started the Year on the Right Foot Thanks to the Banking Sector"*



## *Market today:* The Market Started the Year on the Right Foot Thanks to the Banking Sector

*(**Hieu Nguyen** - Ext: 1514)*

**The early increase of banking stocks such as VCB, ACB, CTG, and BID has improved the market sentiment. Banking stocks were also joined by** securities, steel and quarrying stocks, which also stood out today. Overall, gainers in the market outnumbered decliners in the market, though only by a slight amount (222 gainers vs 194 decliners). At the close, the VN-Index increased by 1.07% to 672.01 points, and the HNX-Index also rose 1.61% to 81.4 points. This is the first time since 2013 that Vietnam's stock market has risen at the beginning of the year. The only drawback is that liquidity was not strong enough, with only VND1,900 billion worth of shares trading on both exchanges.

**We believe that these are two potential reasons for the rally of banking stocks: (1)** Decision 2509/QD-NHNN set the LDR of Joint Stock Commercial Banks at 90% as of 01/01/2017 for banks that SBV had over a 50% stake ownership in (BID, CTG and VCB) **and (2)** banks experienced brighter business result prospects thanks to strong credit growth. The Decision 2509/QD-NHNN benefited BID and CTG as the LDR of these banks has exceeded 90% over the last years while only VCB recorded an LDR lower than 80%. The deposit and lending market share of BID and CTG is more than 10%. The new decision can release deposit and lending pressure not only for BID and CTG but also for the whole banking system.

**We also saw positive business results for VCB and ACB.** Earnings of these banks have been improving on the back of (1) high credit growth and (2) faster progress of loan loss provisions for special bonds (VCB) (3) recovery of outstanding debts (ACB). For FY2016, RongViet Research estimates that the deposit and lending growth rates of VCB will be 20% and 17%, which enables interest income to increase by 21% YoY. Therefore, VCB managed to make full provisions for special bonds of VAMC. PBT of FY2016 will be VND8,300 billion (+21% YoY). For ACB, we forecast that the credit and lending growth will be 21% and 16%, assuming that interest income will grow by 17% YoY. ACB's representative said that the progress of debt recovery from Group 6 was better than expected. 50% has been recovered via collateral disposal and ACB also set another VND1,000 billion for Group 6 loans in FY2016. PBT of ACB will be VND1,556 billion, 3.5% higher than its previous plan and 18% higher than its FY2015 results. We believe the bank's profit will proliferate in FY2017 as a majority of the bad debt was resolved. At the closing price of 03/01/2017, **ACB and VCB are trading at a PBR of 1.33x and 2.78x, respectively.**

**New stocks for the new year.** Vietnam Airline (HVN) and Vinatex (VGT) were finally listed on the UPCOM Index and well-received by investors. Similar to SAB and BHN, HVN went to the ceiling on the first day due to the scarce supply. Of the 1.2 billion HVN shares, the state ownership is 86.16%; ANA Holding owns 8.77%, and Techcombank and Vietcombank own 2.1% and 1.07%, respectively. HVN's free float was only 1.1%, equivalent to over 13 million shares. Meanwhile, strong demand also lifted the price of VGT from VND13,500 to VND17,100. VGT operates in the textile industry and has a complete supply chain from yarn, weaving, dyeing to sewing. **More details of this company can be found in Rong Viet's Analyst Pinboard today.**

**Macro news.** PMI in December was 52.4 points, lower than 54 points in November. Despite the decrease, the PMI of Vietnam has managed to stay above 50 points for the whole year, which is proof of the strong industry production in 2016.

*We could not have asked for a better first day as banking stocks have done so well. However, it is worth noting that the rally of banking stocks did not last long in 2016 and did not translate into a rally for the market. Therefore, it is still early to confirm whether the uptrend has returned.*

## *Analyst Pin-board*

### VGT – Vietnam's Textile Giant Joins the UPCoM

*(**Quang Vo** – Ext: 1517)*

*If you are interested in this content, please click here to view more detail.*

## Recommendations:

The two indexes increased slightly on low volume and kept moving in narrow range.  The market is contracted tight and this stage will not last long.  Trader should maintain a balanced cash and stock portfolio and wait for solid reversal signals.

## PORTFOLIO RECOMMENDED BY TECHNICAL ANALYSIS

| Ticker | Price | Action | Buying date | Buying Price | Target Price 1 | Target Price 2 | Cut loss Price | Selling Date | Selling Price | Gain/ Loose | Duration |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **PVD** | 20.80 | **Buy** | 03/01/2017 | 20.80 | 23.00 | 25.0 | 19.50 | | | 0.00% | Intermediate |
| **HCM** | 28.30 | **Buy** | 03/01/2017 | 28.30 | 30.00 | | 27.00 | | | 0.00% | Short |
| **CII** | 29.90 | **Hold** | 18/11/2016 | 29.45 | 32.00 | | 28.50 | | | 1.53% | Intermediate |
| **PPC** | 17.00 | **Hold** | 18/11/2016 | 15.30 | 17.00 | | 14.50 | | | 11.11% | Intermediate |
| **VGC** | 15.40 | **Hold** | 26/07/2016 | 13.50 | 17.60 | | 12.60 | | | 14.07% | Long |
| **LHC** | 65.00 | **Hold** | 21/08/2015 | 41.50 | 70.00 | 78.0 | 58.00 | | | 56.63% | Long |

**Notes:**

- **Buying Price** is the Close Price at Buying date. **Selling Price** may be the Target Price, Cut loss Price or Closing Price at Selling date depending on specific cases.
- **Target Price 2** will be updated when the stock passes Target Price 1.
- In the ex-rights date, the prices will also be adjusted accordingly
- Duration: **Short-term** is less than 01 month; **Intermediate-term** is from 01 to 03 months; **Long-term** is more than 03 months.

## RONG VIET NEWS

| COMPANY REPORTS | Issued Date | Recommend | Target Price |
|---|---|---|---|
| SKG - Competition Will Begin to Impact Earnings Results | December 16th, 2016 | Neutral – Long term | 72,800 |
| VGC - Catalysts Ahead for VGC to Fully Realize its Potential | December 14th, 2016 | Neutral – Long term | 17,800 |
| SAB - The Giant of Vietnam's Beer Industry | December 06th, 2016 | Neutral – Long term | 143,000 |
| DHG - Hope awaits in 2017 | November 30th, 2016 | Accumulate – Long term | 119,000 |
| GMD - Encouraging result amid short-term cargo low | November 28th, 2016 | Accumulate – Intermediate term | 30,000 |

*Please find more information at [http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302](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 | 30/12/2016 | 0.25% - 0.75% | 0% - 2.5% | 27.993 | 27.959 | 0.12% |
| VF4 | 30/12/2016 | 0.25% - 0.75% | 0% - 2.5% | 12.436 | 12.425 | 0.09% |
| VFA | 30/12/2016 | 0.25% - 0.75% | 0% - 1.5% | 6.697 | 6.725 | -0.42% |
| VFB | 30/12/2016 | 0.25% - 0.75% | 0% - 2.5% | 13.813 | 13.813 | 0.11% |
| ENF | 23/12/2016 | 0% - 3% | 0% | 13.763 | 13.771 | -0.06% |
| MBVF | 15/12/2016 | 1% | 0%-1% | 11.905 | 11.966 | -0.51% |
| MBBF | 21/12/2016 | 0%-0.5% | 0%-1% | 13.413 | 13.403 | 0.07% |

## ANALYSTS

**Truc Doan – Head of Research**

+ 84 8 6299 2006 | Ext: 1308

truc.dtt@vdsc.com.vn

**Lam Nguyen**

+ 84 8 6299 2006 | Ext: 1313

lam.ntp@vdsc.com.vn

**Thien Bui**

+ 84 8 6299 2006 | Ext: 1321

Thien.bv@vdsc.com.vn

**Ha My Tran – Deputy Manager**

+ 84 8 6299 2006 | Ext: 1309

my.tth@vdsc.com.vn

**Diem My Tran**

+ 84 8 6299 2006 | Ext: 1311

my.ttd@vdsc.com.vn

**Kien Nguyen**

+ 84 8 6299 2006 | Ext: 1320

Kien.nt@vdsc.com.vn

**Hoang Nguyen**

+ 84 8 6299 2006 | Ext: 1319

Hoang.nh@vdsc.com.vn

**Tai Nguyen – Deputy Manager**

+ 84 8 6299 2006 | Ext: 1310

tai.ntp@vdsc.com.vn

**Huong Pham**

+ 84 8 6299 2006 | Ext: 1314

huong.pt@vdsc.com.vn

**Trinh Nguyen**

+ 84 8 6299 2006 | Ext: 1331

Trinh.nh@vdsc.com.vn

**Hieu Nguyen**

+ 84 8 6299 2006 | Ext: 1514

Hieu.nd@vdsc.com.vn

## DISCLAIMERS

This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.



**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by Viet Dragon Securities Corp. (“VDSC”), a company authorized to engage in securities activities in Vietnam. VDSC is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Rosenblatt Securities Inc., 40 Wall Street 59th Floor, New York, NY 10005, a registered broker dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through VDSC. Rosenblatt Securities Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and may not be an associated person of Rosenblatt Securities Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Ownership and Material Conflicts of Interest**

Rosenblatt Securities Inc. or its affiliates does not ‘beneficially own,’ as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of any of the equity securities mentioned in the report. Rosenblatt Securities Inc, its affiliates and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Rosenblatt Securities Inc. is not aware of any material conflict of interest as of the date of this publication.

**Compensation and Investment Banking Activities**

Rosenblatt Securities Inc. or any affiliate has not managed or co-managed a public offering of securities for the subject company in the past 12 months, nor received compensation for investment banking services from the subject company in the past 12 months, neither does it or any affiliate expect to receive, or intends to seek compensation for investment banking services from the subject company in the next 3 months.

**Additional Disclosures**

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither VDSC nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report’s preparation or publication, or any losses or damages which may arise from the use of this research report.

VDSC may rely on information barriers, such as “Chinese Walls” to control the flow of information within the areas, units, divisions, groups, or affiliates of VDSC.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by VDSC with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

**HEAD OFFICE**

141 Nguyen Du St., Dist. 1, HCMC

- T +84 8 6299 2006
- F +84 8 6299 7986
- E info@vdsc.com.vn
- W www.vdsc.com.vn

**HA NOI BRANCH**

2C Thai Phien St., Hai Ba Trung Dist.,
Ha Noi City

- T +84 4 6288 2006
- F +84 4 6288 2008
- E info@vdsc.com.vn
- W www.vdsc.com.vn

**NHA TRANG BRANCH**

50 Bis Yersin, Nha Trang City

- T +84 058 3820 006
- F +84 058 3820 008
- E info@vdsc.com.vn
- W www.vdsc.com.vn

**CAN THO BRANCH**

95-97-99 Vo Van Tan St., Ninh Kieu Dist.,
Can Tho City

- T +84 0710 381 7578
- F +84 0710 381 8387
- E info@vdsc.com.vn
- W www.vdsc.com.vn