14

MONDAY

“No significant changes so far”

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- **No significant changes so far**
- **USD/VND got closer to the ceiling prior to FOMC meeting**
- **Banking income still depends on credit activities**

No significant changes so far

Markets did not see any significant changes in the beginning of this important week. Total matching-order volumes reached 131 million shares, in which HSX accounted for 92 million shares – an average level since beginning of December. VNIndex closed slightly lower at 562,22 pts (-1,21 pts) while HNIndex continued to dropped 0,46 pt. Foreigners minimized their selling activities. In HSX, they net sold around VND40.34 million while net bought VND8.6 billion.

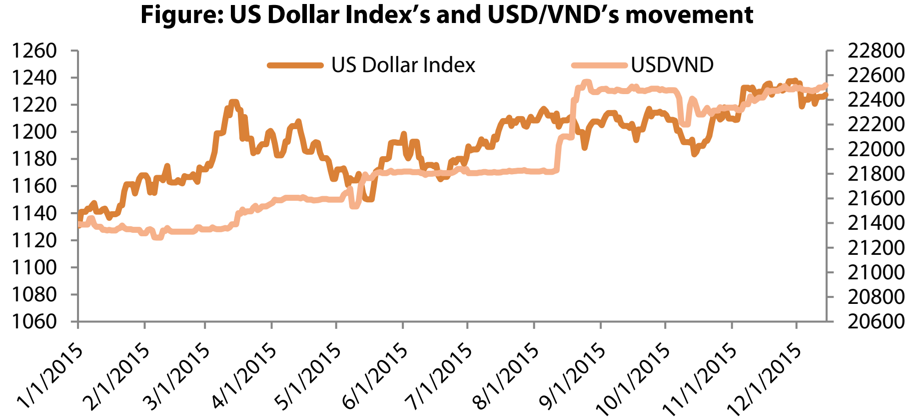
Last Friday, investors did not sell stocks purchased on 08/12. This evidence could prove that investors’ sentiments are quite stable. The stability is also confirmed by comparing current markets with what happened in last August when China suddenly slashed the CNY, CNY continued to slip but there haven’t been any signs of potential wash out sessions. Differences, if any, might come from FOMC’s meeting held on 16-17/12. There are possible two scenarios: a wash out like what it took on 24/08 or a break out from sideways movements like 06/10, which share a similarity of a significant high liquidity around VND2,500 billion in HSX (90% higher than current level).

Therefore, if investors’ sentiment repeats, stock exchanges are waiting for large cash flow to create reverse point. Nearly the end of the year, according to the usual trading activities, business results will gradually reflect into stock prices, especially for the companies with the seasonal characteristic. Furthermore, previous years, stock exchanges expected stocks which had been accumulated by foreign investors to have a breakthrough in prices before “NAV” (stocks with strong foreign net-buying position will significantly increase in prices in order to increase the efficiency of funds’ ratings).

USD/VND got closer to the ceiling prior to FOMC meeting

In the interbank market, an exchange rate’s undersea wave came back as USD/VND in some biggest banks namely Vietcombank, BIDV, Eximbank,… got closer to the ceiling rate of SBV (22,547 VND/USD). According to Bloomberg, US Dollar index rebounded with an increase of 0.29% as compared to last week. Moreover, 15th – 16th December FOMC meeting, which is the last one in this year, will be the wildcard for the week ahead. As the same time, RMB's continuous depreciation since IMF's approval to SDR might put more pressure on USD/VND.

Figure: US Dollar Index’s and USD/VND’s movement



Source: Bloomberg, RongViet Research

Banking income still depends on credit activities

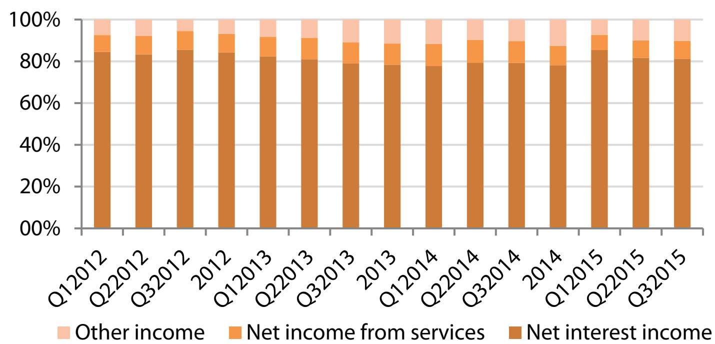
In 9M2015, total credit growth of the nine listed banks reached 14.9%, doubling from a year earlier and higher than the system-wide average growth rate of 12.12%. Thanks to stronger lending, interest income saw a positive improvement. By the end of Sept 2015, total interest income of listed banks expanded more than 20% yoy, the highest nine-month growth rate in last three years. Notably, after falling below 80% in almost two years, the proportion of net interest income in total operating income was recorded above the said percentage since the beginning of the year, which is an indication that banks' income still depends heavily on lending activities.

Table 1: Credit growth of listed banks

	Q1	Q2	Q3	Q4
2012	0.1%	3.4%	7.4%	15.3%
2013	-0.1%	4.2%	6.7%	14.1%
2014	0.0%	4.2%	7.6%	15.9%
2015	2.8%	10.1%	14.9%	

Source: RongViet Research

Graph 1: Income structure of listed banks



Source: RongViet Research

Along with the improved interest income, net interest margin (NIM) bottomed out in 2014 and recovered in 9M2015. From 3Q2015 financial report of the listed institution, we estimate interest expense as a part of interest-bearing capital of banks was actually lower as compared to the same period of 2014, where BID, STB, ACB and CTG experienced the biggest drops in interest expense. NVB is the only one that saw an increase in this ratio, about 3.7 percentage points from the previous year. Meanwhile, the yields on operating assets varied among banks where only NVB (12.4 percentage points), MBB (0.4 points) and EIB (0.1 points) saw increases. The trends in yields and interest expense are favoring the credit institutions where yields fell more slowly or rose faster than interest costs or even trended upward while interest costs were falling. This has put both the net interest spread (NIS) and both net interest margin (NIM) on expansion.

Table 2: Yields on interest assets of listed banks (%)

	ACB	BID	CTG	EIB	MBB	SHB	STB	VCB
Q32012	12.7	11.0	15.0	12.2	13.1	24.9	16.0	10.0
Q32013	10.3	10.3	10.1	8.0	10.5	12.0	13.8	7.4
Q32014	8.9	9.4	7.8	6.3	9.5	8.8	12.0	6.1
Q32015	8.3	7.9	6.9	6.3	9.0	7.9	10.0	5.7

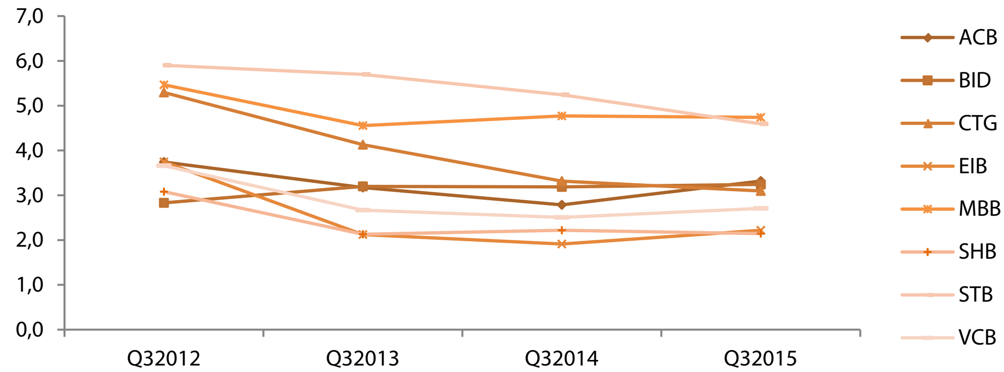
Source: RongViet Research – TTM calculation

Table 3: Interest expenses per interest-bearing capital (%)

	ACB	BID	CTG	EIB	MBB	SHB	STB	VCB
Q32012	8.0	8.0	9.5	9.4	7.5	20.3	9.4	7.0
Q32013	6.7	6.8	6.2	6.2	5.6	9.3	7.7	5.3
Q32014	6.1	5.9	5.0	4.5	4.0	6.2	6.1	4.0
Q32015	4.9	4.3	4.1	4.2	3.6	5.5	4.7	3.2

Source: RongViet Research – TTM calculation

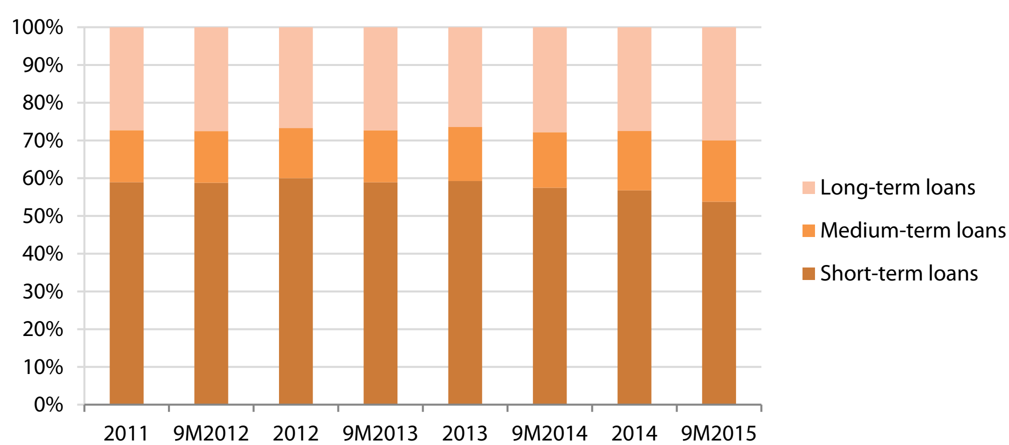
Graph 2: Listed banks' NIM



Source: RongViet Research

Despite that, we think the recovery of NIM did not come from the change in the interest rate level. Monthly statistics from the SBV showed that in almost 2 years (2014 – 11M2015), the 6-month-to-1-year deposit rate has decreased 1.05 percentage point and 1-year rate 1.2 percentage point on average. Interest rates on short-term loans fell by 1.95 percentage points and the rates on medium and long-term loans by 2.25 percentage points. We believe it is the expansion of credits and a higher proportion of medium and long-term loans that have helped banks improve capital efficiency measures. Short-term lending rate has been on a decline since 2012 and was about 53.8% at the end of 3Q2015 while the values of medium and long-term loans as parts of total credit has seen a mild increase, reaching 16.2% and 30% by the end of 3Q2015.

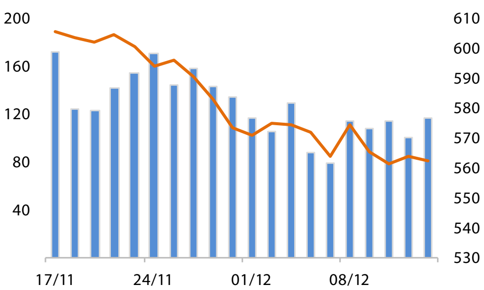
Graph 3: Structure of customer loans

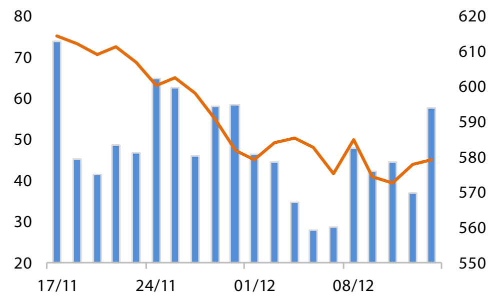


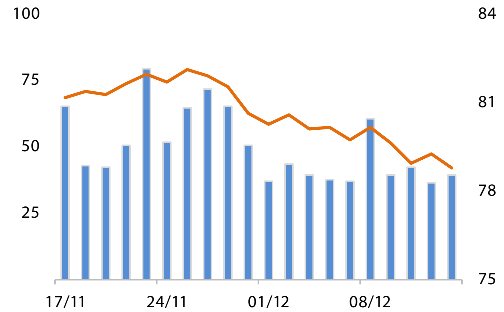
Source: RongViet Research

RONGVIET SECURITIES

VNINDEX	-0.21%	562.22	VN30	0.24%	579.42	HNXINDEX	-0.59%	78.75

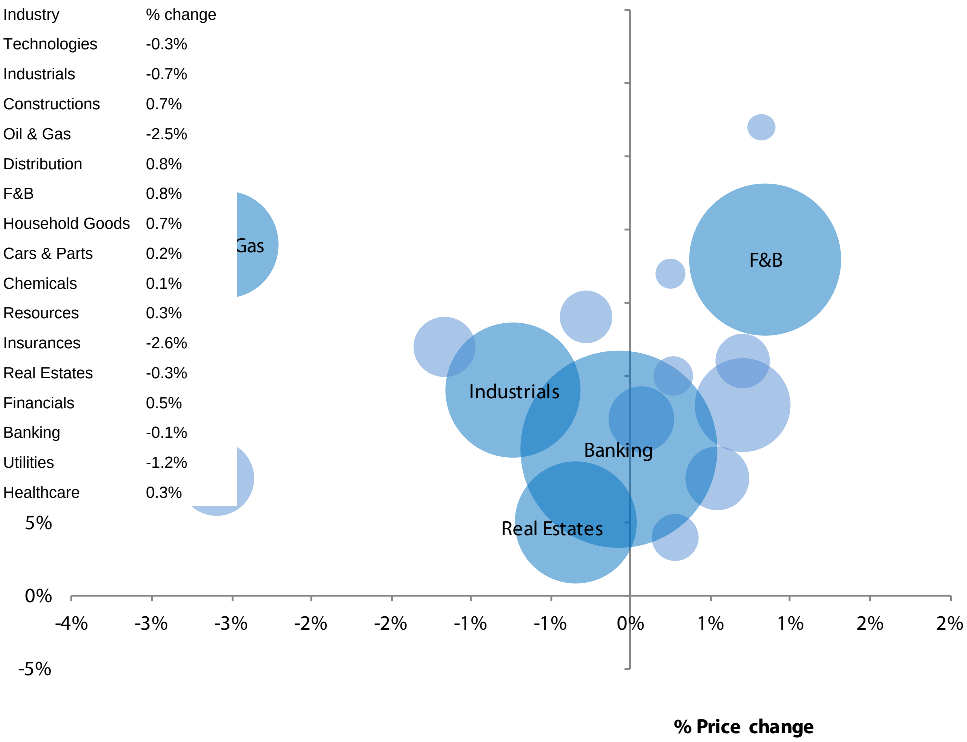




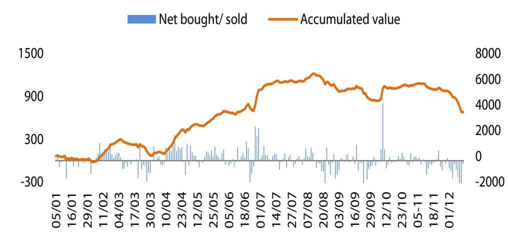


Industry Movement

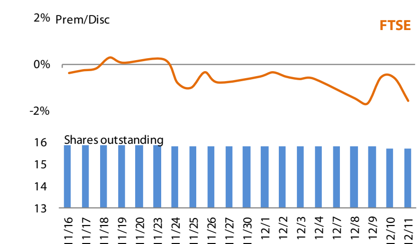
Industry	% change
Technologies	-0.3%
Industrials	-0.7%
Constructions	0.7%
Oil & Gas	-2.5%
Distribution	0.8%
F&B	0.8%
Household Goods	0.7%
Cars & Parts	0.2%
Chemicals	0.1%
Resources	0.3%
Insurances	-2.6%
Real Estates	-0.3%
Financials	0.5%
Banking	-0.1%
Utilities	-1.2%
Healthcare	0.3%

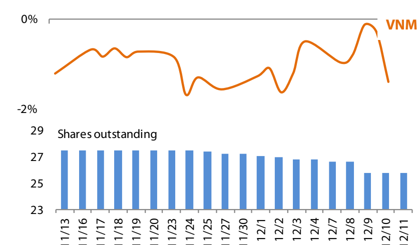


Foreign Investors Trading



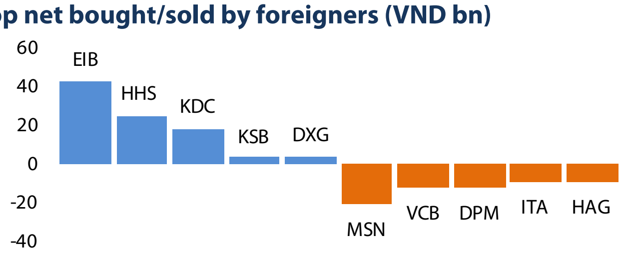
ETF



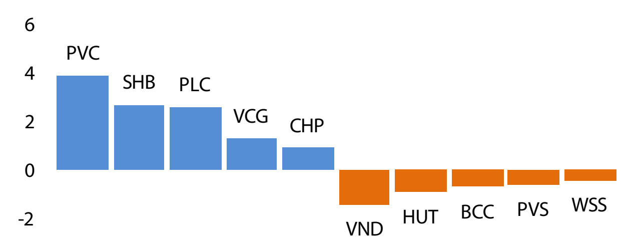


Top net bought/sold by foreigners (VND bn)

HSX



HNX



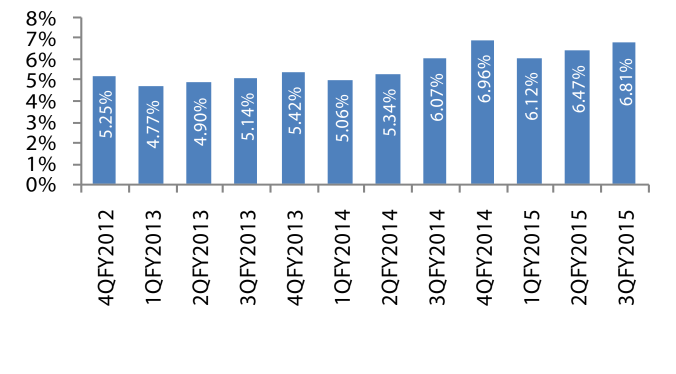
Top Active

Ticker	Price	Volume	% price change
FLC	8.0	11.99	3.9%
HHS	15.7	5.68	1.9%
OGC	3.8	5.24	5.6%
HAG	11.6	4.46	1.8%
ITA	5.7	3.73	-1.7%

Ticker	Price	Volume	% price change
SCR	8.1	2.37	1.3%
KSQ	3.4	2.25	9.7%
TIG	11.7	2.01	-0.8%
PVX	3.2	1.73	0.0%
KHB	4.3	1.70	2.4%

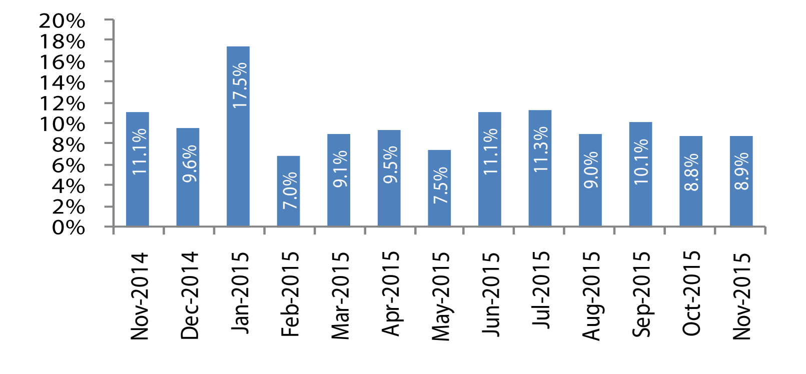
MACRO WATCH

Graph 1: GDP Growth



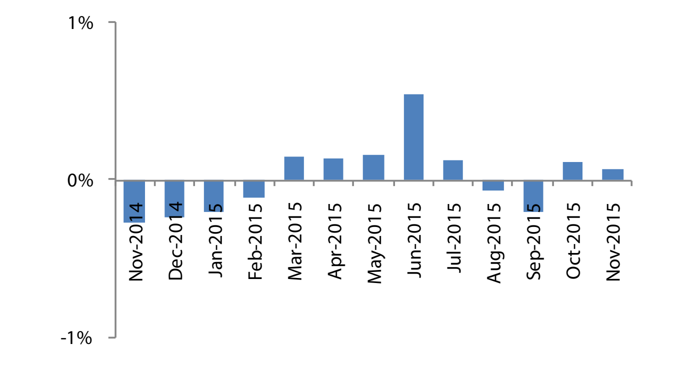
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



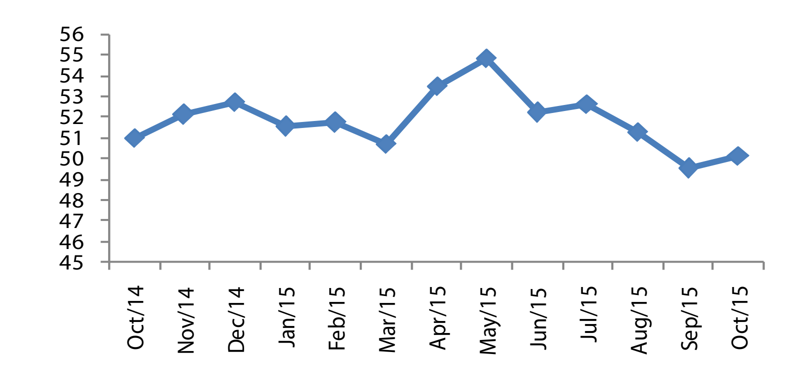
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



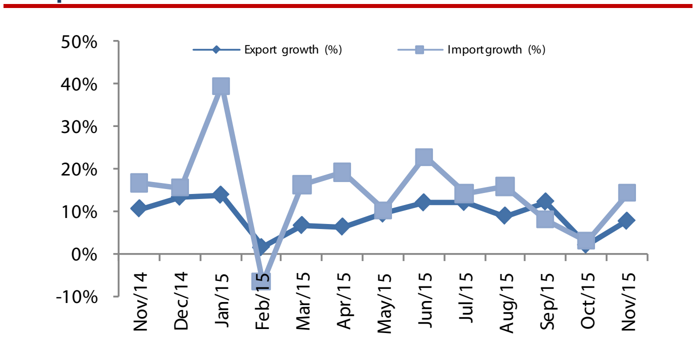
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



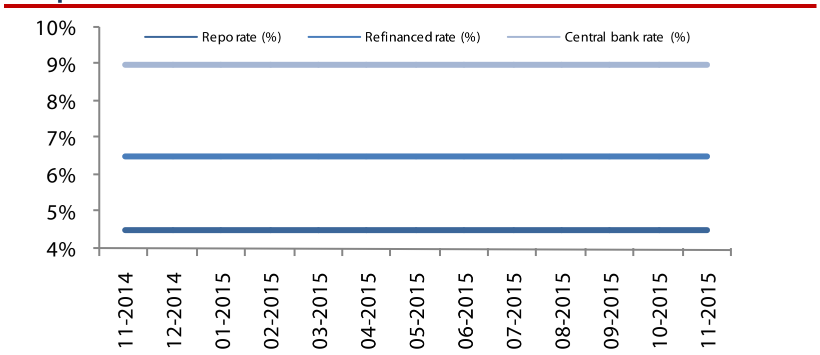
Sources: GSO. Rongviet Securities database

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
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
DMC - Restructuring sparks positive changes	October 30th, 2015	Accumulate – Intermediate term	49,000
HSG - New investments: The engine of growth	October 29th, 2015	Accumulate – Long term	52,500

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	17/11/2015	0% - 0.75%	0% - 2.5%	12,109	12,099	0.08%
VEOF	17/11/2015	0% - 0.75%	0% - 2.5%	10,276	10,663	0.59%
VF1	25/11/2015	0.2% - 1%	0.5%-1.5%	23,903	23,764	0.59%
VF4	25/11/2015	0.2% - 1%	0%-1.5%	10,847	10,768	0.74%
VFA	19/11/2015	0.2% - 1%	0%-1.5%	7,429	7,418	0.15%
VFB	19/11/2015	0.3% - 0.6%	0%-1%	12,523	12,506	0.14%
ENF	20/11/2015	0% - 3%	0%	12,225	12,156	0.57%
MBVF	19/11/2015	1%	0%-1%	10,740	10,902	-01.49%
MBBF	18/11/2015	0%-0.5%	0%-1%	12,494	12,485	0.07%

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