DECEMBER

ADVISORY DIARY

10

THURSDAY

- **Another decline with low liquidity**
- **HAH – uncommon intraday transactions while business results still in high growth phase**
- **Comment on the adjustment of required reserve ratio – early signal for monetary policy in 2016**

Another decline with low liquidity

Awaiting stocks purchased in unexpected bullish session (8/12) to be available for trading tomorrow. Today, VNIndex closed below open price of the session dated 8/12, which means that over ten bullish points in that session were offset by two consecutive decline sessions. Therefore, there are reasons for speculators to worry about tomorrow market's movement. Stocks, which increased positively on 8/12, have approached their open prices on 8/12, which means that they may witness losses if tomorrow market is not positive.

Tickers	VNM	FPT	BVH	BMI	VCB	BID	VIC	TCM
Open price on 8/12	120	47.5	48	24	40.8	20.5	42.3	30.7
Today close price	123	47.8	50.5	25.7	41.2	20.3	41.3	31.3
Change	**2.5%**	**0.6%**	**5.2%**	**7.1%**	**1.0%**	**-1.0%**	**-2.4%**	**2.0%**

"Another decline with low liquidity"

Liquidity remained low but some stocks trading with sudden high volume, typically VIC and HAH. VIC saw put-through transaction between foreigners and domestic investors, with net-selling volume of foreigners at 9 million shares, equivalent to 382.5 billion dong. Meanwhile, HAH witnessed three consecutive high volume sessions, with today volume of over 2.8 million shares.

Foreigners were net sellers today to a minor value if excluding put-through transaction of VIC. In HSX, total net selling value was equal to VND45 billion (net of VIC). Unlike in HSX, foreign investors turned to net buyers to the tune of more than VND7 billion worth of shares in HNX.

Investors could not decisively long or short at this moment when markets are under pressure of capital outflows and VNM ETF review. Also, FED meeting will be held in the middle of next week. We believe the results of FED will have short-term impact on markets.

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HAH – uncommon intraday transactions while business results still in high growth path

In recent three sessions, HAH's total volume is over 2.8 shares, higher 100,000 than accumulative volume of uptrend sessions (15/9-7/12). Meanwhile, HAH is considered as a stock having very low free-float with most of shares belong to executives and port-logistics companies as well as institutional investors. According to our estimate, number of shares available for trading is about 4.8 million shares, a calculation based on stocks belong to investors having ownership below 2% (if this ownership is below 5%, the number of stocks available for trading is about 7.3 million shares). We did not saw sign of sell-off as total volumes were only around 9 thousand shares shorted out of 230 shares had been accumulated during the rally period (15/09 – 07/12). Instead, our market expert uncommon transactions today seems to come from "secret" put-through activities among institutional investors.

Performance wise, HAH posted very positive growth for the 9M results with revenue and PAT growing 35.4% and 40% yoy. So, the firm's EPS for the year through September equals VND4,777. We consider (1) growing container throughput this year in Hai Phong, (2) higher transported cargo volume from vessel operation and (3) unexpected reefer congestion factor in mid-year played important stakes in the firm's impressive 9M2015 result. Therefore, we continue to hold positive rating on HAH's performance in the last quarter and 2016 with increasing prospects for positive growth in throughput ahead. Detailed analysis for HAH's 2016 business outlook will be discussed in RongViet's coming company report.

Comment on the adjustment of required reserve ratio – early signal for monetary policy in 2016

Last weekend, the State bank published Circular No. 23/2015/TT-NHNN about the adjustment of required reserve ratio for credit institutions and that will take effect on 28/1/2016. According to this information, since Q1 next year, there will be two groups of credit institutions applying new legislation: (1) regarding special control group, the required reserve ratio could be considered to decrease to the minimum level of 0% and (2) credit institutions that are being approved for restructuring or indicated to do so as a weak credit entity, the State bank could consider drop the ratio base on specific credit institutions.

Table 1: Current regulation on required reserve ratio

	Types of Credit Institutions	VND deposit		Foreign currency deposit	
		Demand and below 12 months	**Up to 12 months**	**Demand and below 12 months**	**Up to 12 months**
1	Urban joint-stock commercial banks including Foreign Banks' Branches in Vietnam, Joint – Venture Banks, Finance Companies, Financial Leasing Companies	3%	1%	8%	6%
2	Vietnam Bank for Agriculture & Rural Development	1%	1%	7%	5%
3	Rural joint-stock commercial banks, cooperative banks, Central People's Credit Fund	1%	1%	7%	5%
4	Credit Institutions with deposit balance subject to reserve requirement below VND 500 million, local credit funds, Vietnam Bank for Social Policies	0%	0%	0%	0%

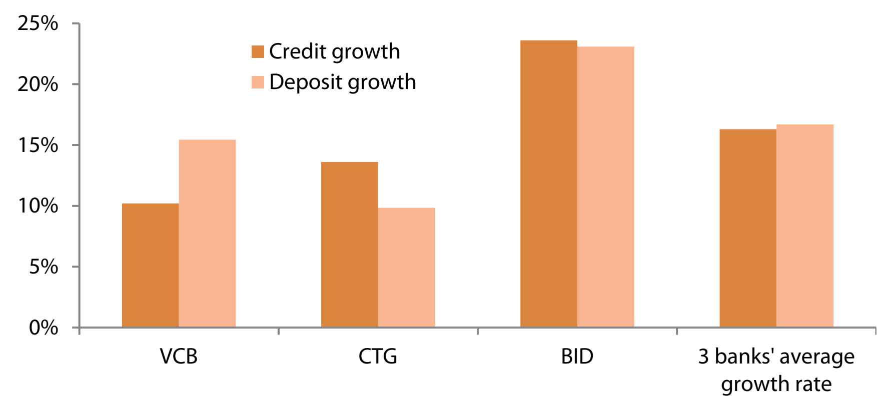
Sources: SBV, RongViet Research

Among the group of commercial banks that can be allowed to implement the new policy, RongViet Research considers VCB, BID and CTG (or other listed banks) stand the greatest chance of approval. During the year, the three banks contributed supports to smaller ones, out of which the most remarkable deals are between VCB- Saigonbank, CTG-PGBank and BIDV-MHB. In terms of position, they are three state-owned joint stock commercial banks that rank among the top. The group's total deposits and lending account up to 30% of the system's total value, while the average deposit and credit growth is around 16 and 17% in 9M2015. The new circular confirms SBV's previously announced commitment as it promised new policies to ensure large banks are not in unfavorable positions when entering the banking restructuring process.

In particular, a cut in the reserve requirement rate is likely to benefits to these banks. At the moment, VCB, CTG and BID are in the group of highest required reserve rate (*see Table 1*) at 3% and 8% for VND and USD respectively on demand deposits for less than 12 months. Regarding deposits above 12 months, the rates are 1% and 6% respectively. Theoretically, cutting reserve requirement can raise banks' interests on assets since the "frozen" capital is allowed to participate in the market via credit or liquidity. Owing to the new policy, small banks' liquidity and efficiency improvement process can be assisted.

Moreover, a required reserve decrease can be an expansionary monetary policy as the current circumstance reads no chance for further interest cut. VCB, CTG and BID are currently the three key players that direct the market rate. Recently, while small and medium-sized banks are preparing to raise their rates to meet the year-end's borrowing demand, the big three have yet to adjust theirs. Thus, based on the benefits created by the new policy, we expect the policy makers to indirectly control the rate via the key players in the market. At the same time, the policy can be an instrument to mitigate the interest rate risk as well as a preparation for the following year's interest rate policy.

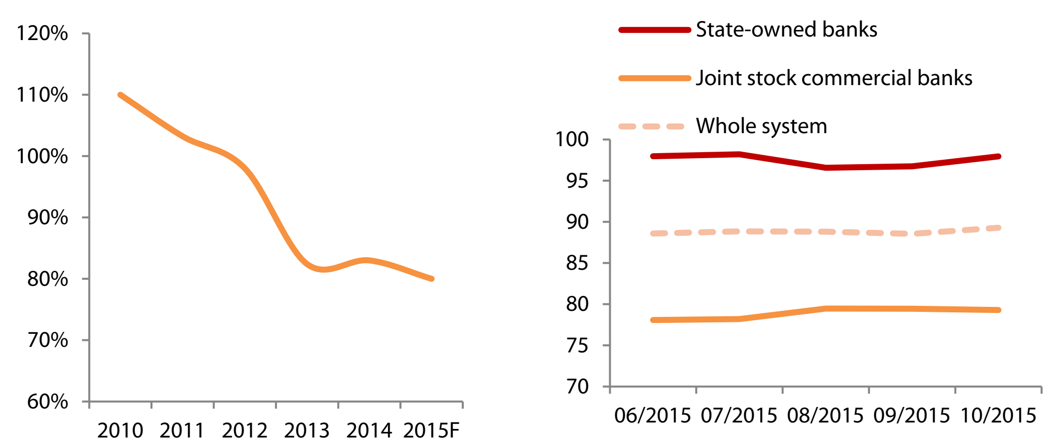
Figure 1: Credit and deposit growth in 9M2015



Source: RongViet Research

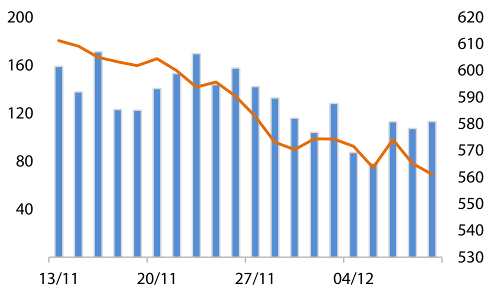
According to our estimation based on the data at the end of 9/2015 from 3 mentioned banks, if the required reserve ratio decreases by 1% with this type, the cash flow into the credit activities in the economy could increase by approximately 0.2 – 0.3%. This is the implication for monetary policy next year to target the credit growth for the economy. However, we also note that loan/deposit ratio of this group is currently at the high level (average 95.4%).

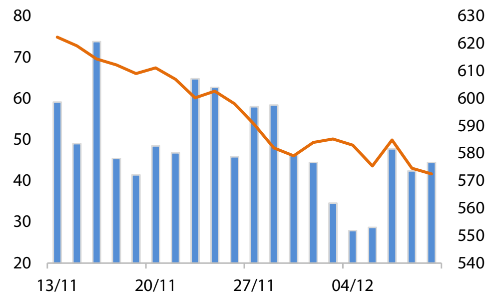
Figure 2: The Vietnamese banking system's LDR ratio

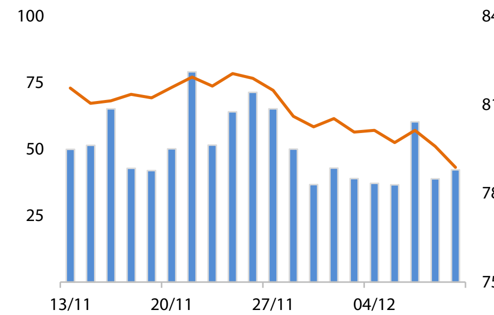


Source: RongViet Research

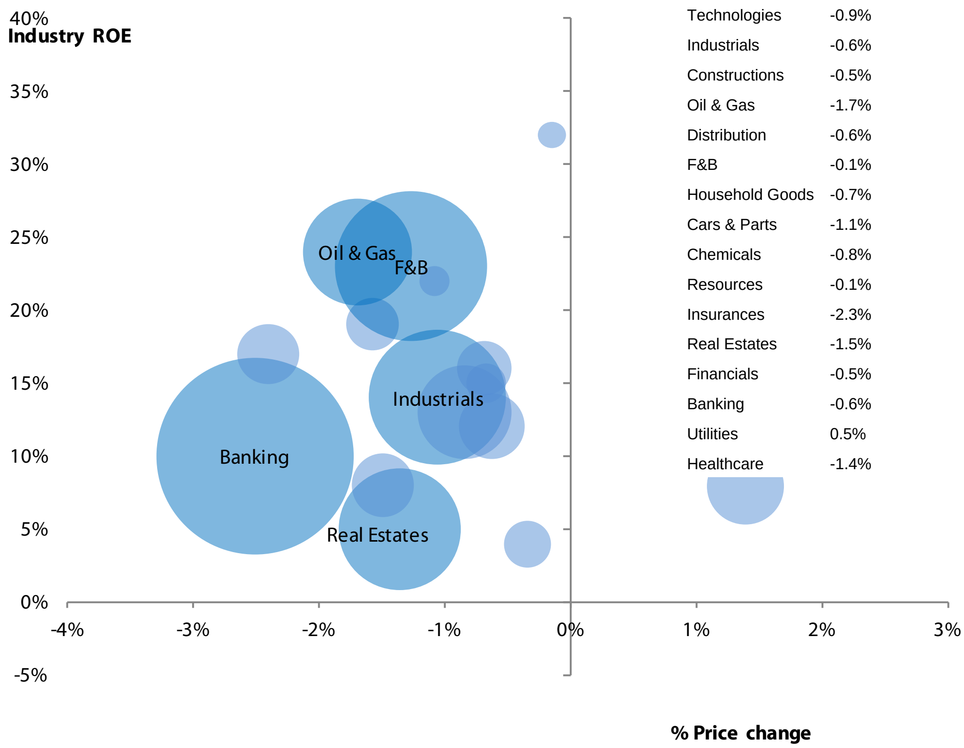
VNINDEX	-0.74%	561.04	VN30	-0.36%	572.50	HNXINDEX	-0.89%	78.89





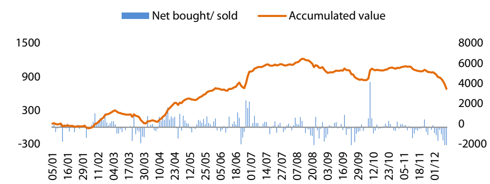


Industry Movement

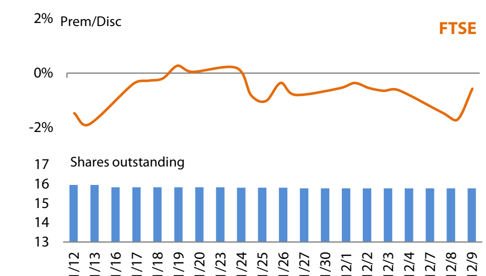


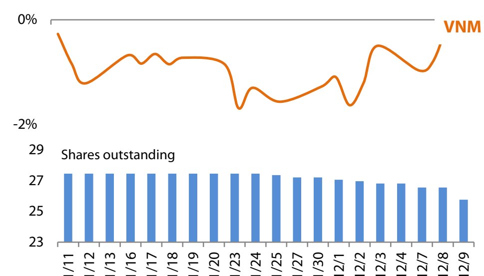
Industry	% change
Technologies	-0.9%
Industrials	-0.6%
Constructions	-0.5%
Oil & Gas	-1.7%
Distribution	-0.6%
F&B	-0.1%
Household Goods	-0.7%
Cars & Parts	-1.1%
Chemicals	-0.8%
Resources	-0.1%
Insurances	-2.3%
Real Estates	-1.5%
Financials	-0.5%
Banking	-0.6%
Utilities	0.5%
Healthcare	-1.4%

Foreign Investors Trading



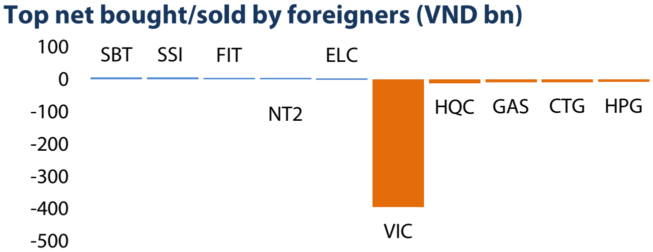
ETF





Top net bought/sold by foreigners (VND bn)

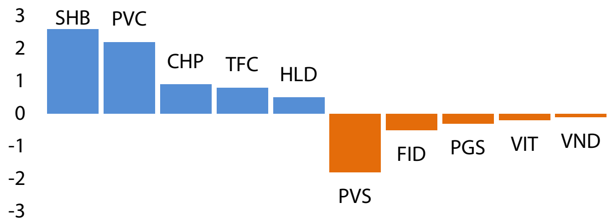
HSX



Top Active

Ticker	Price	Volume	% price change
FLC	7.6	11.73	-3.8%
OGC	3.6	7.60	-5.3%
HQC	5.7	7.22	-3.4%
SBT	19.2	4.63	1.6%
BHS	22.2	2.94	0.9%

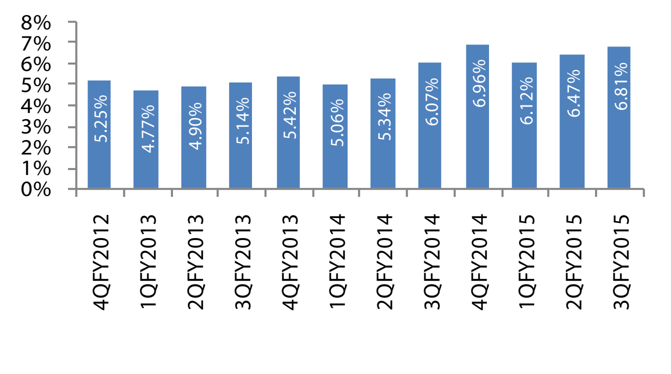
HNX



Ticker	Price	Volume	% price change
SCR	8.0	2.88	-1.2%
KHB	4.2	2.40	0.0%
TIG	11.7	2.30	0.9%
DPS	19.6	1.81	9.5%
KLF	4.4	1.39	-2.2%

MACRO WATCH

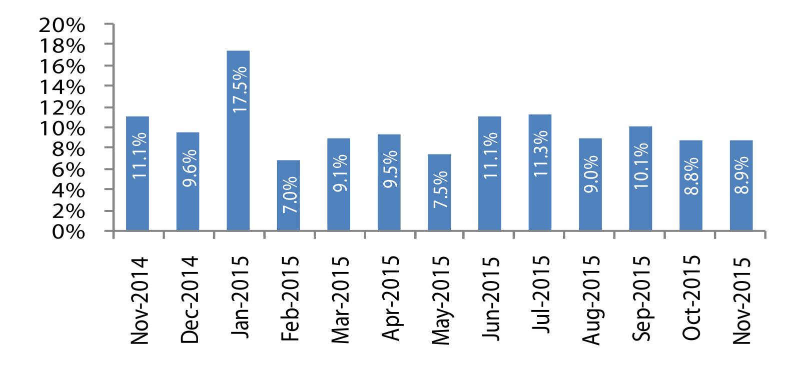
Graph 1: GDP Growth



Sources: GSO. Rongviet Securities database

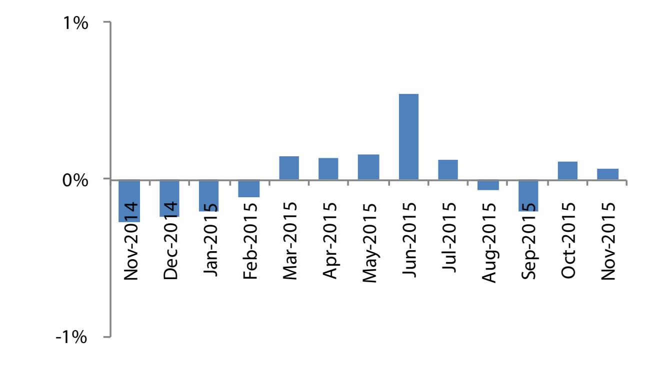
(*) Comparision price in 1994

Graph 2: IIP



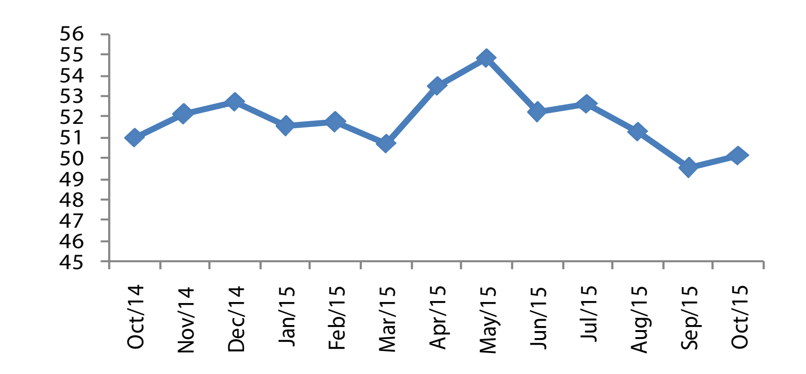
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



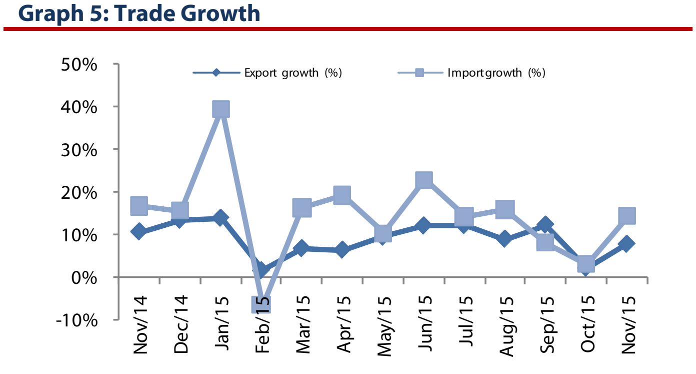
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



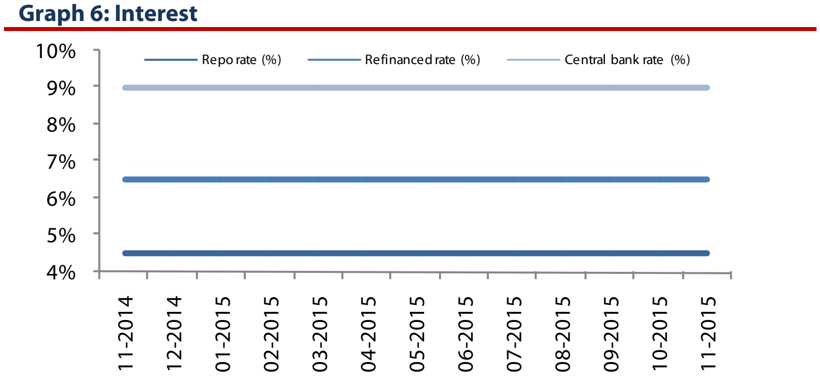
Sources: GSO. Rongviet Securities database

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
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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