08

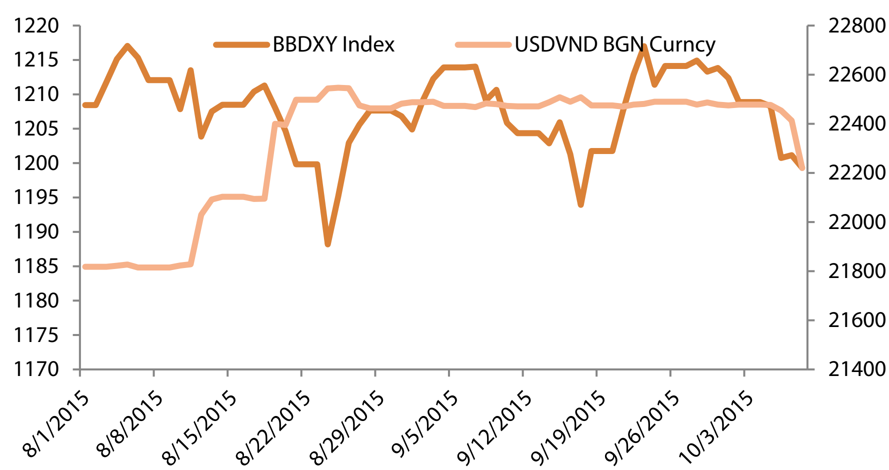
THURSDAY

- **Circular 15 "tightens" VND devaluation expectation into the framework.**
- **Strong buy from foreign investors**

Circular 15 "tightens" VND devaluation expectation into the framework.

Recently, USD/VND on the listed and free markets experience significant deterioration, especially in this morning. Listed exchange rates in commercial banks continue the deep decline. Specifically, according to the exchange rate from VCB, as compared to yesterday, the breadth in both buy and sell sides this morning was relatively high, equivalent to the decrease of **160** and **120** dong. We believe that recent fluctuations of exchange rates could be the consequence of result resolution from the State bank. In particular, on the last Friday, the State bank implemented Circular15/2015/TT-NHNN regarding guidelines for foreign currency trading of the credit institution licensed to conduct foreign exchange in effect on October, 05th 2015. According to this Circular, for the spot transactions (as in 2 working days), only firms with proven foreign currency demand could buy the currencies from commercial banks. For transactions with maturity in more than two days, banks could only sell foreign currencies having maturity.

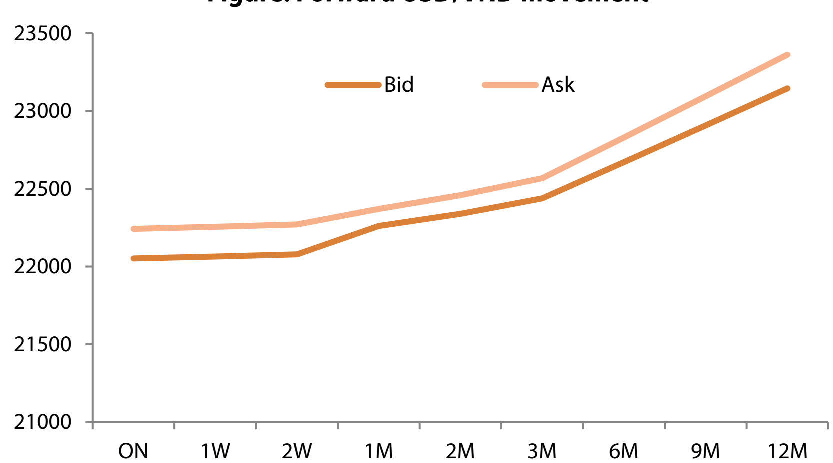
Figure: Bloomberg US Dollar index and USD/VND movement



"Strong buy from foreign investors"

Source: Bloomberg, RongViet Research

Figure: Forward USD/VND movement



Source: Bloomberg, RongViet Research

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As previously discussed in the October's Strategic Report published earlier this week, Circular 15 is the next step following previous policies such as USD deposit rate cut and the draft circular replacing Circular 43 in controlling exchange rate fluctuations. RongViet Research supposed the release of the circular helps tackle on firms' foreign exchange speculation. In fact, foreign exchange transactions will be mostly short-term, as more than 3 month-forward points (*) are fairly high.

(*)forward point is defined as the difference between the forward rate and the spot rate.

Foreign exchange market recently has been supported by some factors: (1) FED's unlikely interest rate raise in late-October meeting, (2) various projections signifying the change of CNY joining the SDR basket, (3) foreign exchange supply from FDIs, (4) After TPP closed the deal, rumors were spread that 12 countries would sign an agreement that would likely prevent them from devaluating domestic currencies with the purpose of rising their products' competitiveness.

However, it is worth noting that export growth has declined in recent months due to the increasing trade deficit. Higher import demands and foreign debts in the late 2015 will lead to the bleak picture for exchange rate movement. If external factors' outlook including FED's interest rate raise and the Yuan movement turns out positively, we suppose that SBV will likely keep the exchange rate stable within the +/-3% range.

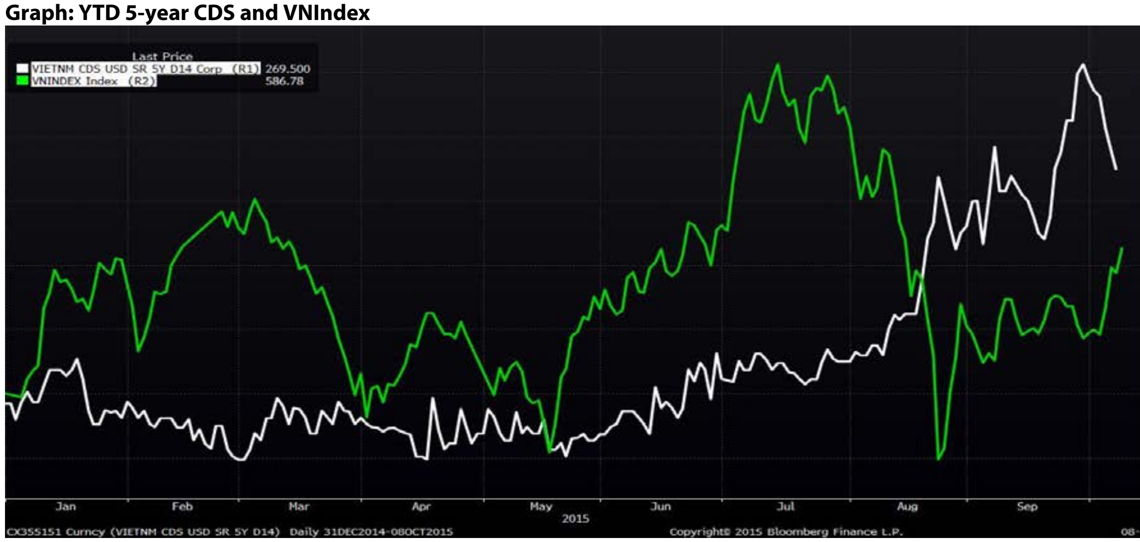
Strong buy from foreign investors

After a slight correction session, market turned back to positive status. Cash flow into market was strong at total volume at 244 million shares, equivalent to VND 3,600 billion. Specifically, real estate, focusing on companies holding industrial zone land and commercial land, attracted several investors, such as: LHG, ITA, HQC…. Besides, insurance group and group benefit from TPP turned to surge. High cash flow into almost all of leading group and stocks such as: VIC, VCB… made VNIndex increasing by 7.21 points to 585, closing at 586.78. Similarly, HNIndex increased by 0.7 points to 80.44.

Put through transaction reached remarkable value of over 50.5 million shares, focusing on MBB at more than 40.5 million shares. That was equivalent to additional shares for foreigners after MBB's ESOP and specific issues in September. Within first minutes, foreigners took all of those stocks to fulfill their room by purchasing a total value of VND643.7 billion.

Thanks to extraordinary transaction of MBB, total net buying value of foreigners reached VND804 billion, the highest level of this year. Excluding MBB trading activities, foreign investors still turned net buyers to the tune of VND143.3 billion in HSX and VND17 billion in HNX. Keep track on ETFs, we realized that fund certificates from FTSE Vietnamese ETF and VNM ETF continued trading at premium, equivalent to 2.8% and 3.36%. In Advisory Diary dated 07/10/2015, we have mentioned that if fund certificates could remain premium status, there would be chances that funds would issue more fund certificates. Indeed, the amount of fund certificates of VNM ETF increased by 50,000 from 26.3 million to 23.35 million. Furthermore, Vietnam 5-year CDS significantly declined to 269.5 pts (compared to 292 pts from the previous update on 5/10). This situation demonstrated that foreign investors have been relatively more optimistic about Vietnam stock exchanges. We believe that the foreign capital flow also come back to the net-buying positions for the next sessions.

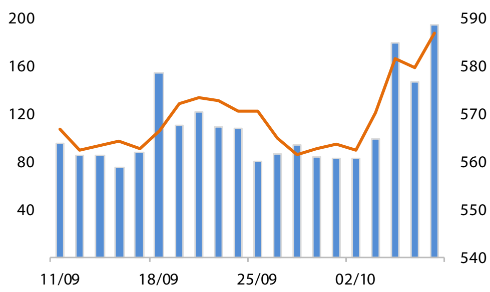
Graph: YTD 5-year CDS and VNIndex



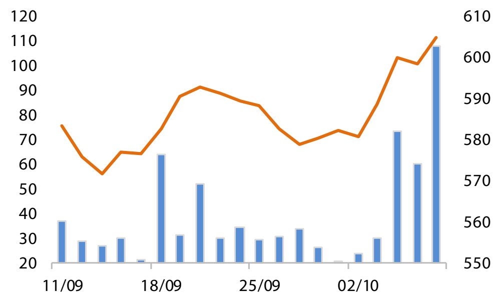
Source: Bloomberg

Short-term selling pressure in the final days of the week could be stronger after more than 242 million stocks have been accumulated in the week's first two sessions ready for trading. Moreover, gaining trend across sectors have been seen typically for TPP benefited sectors, banking, insurance and real estate…However, RongViet Research believes this market trend would likely to hold on and investors can take advantage of correction sessions to accumulate stocks with expected good 3Q earnings results.

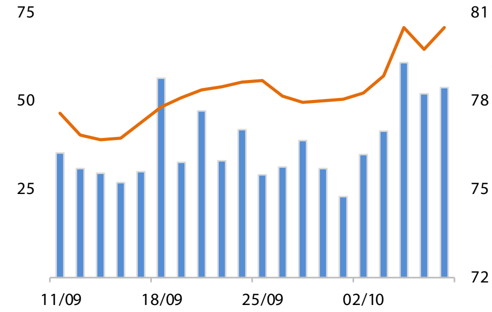
VNINDEX 1.24% **586.78**



VN30 1.08% **604.91**

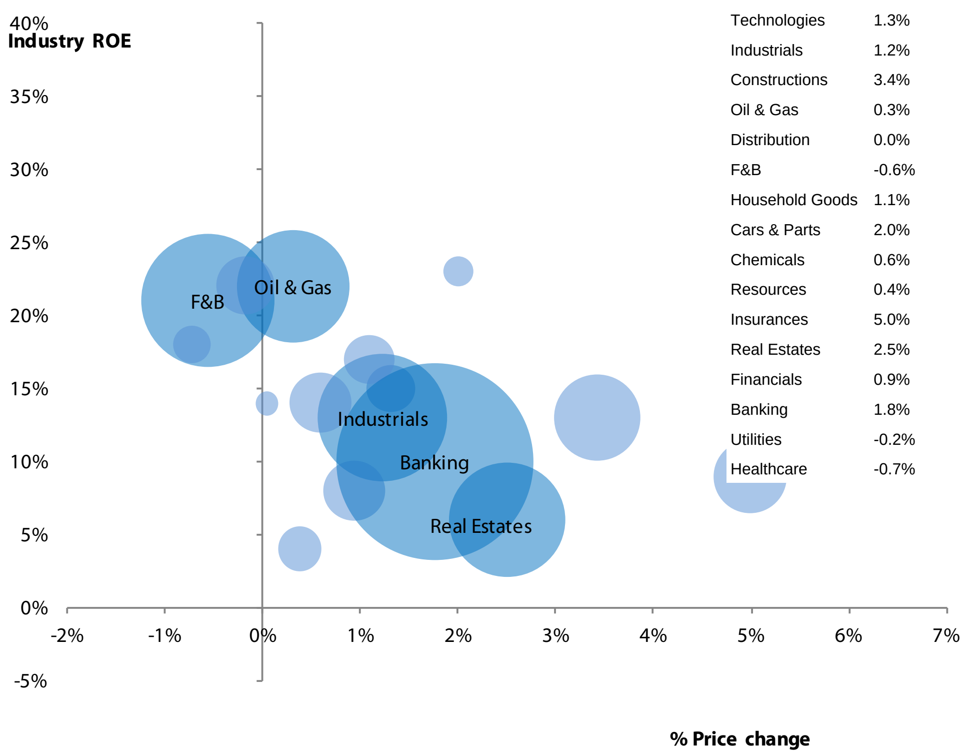


HNXINDEX 0.88% **80.44**

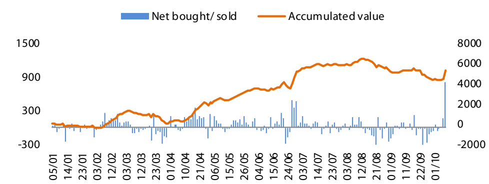


Industry Movement

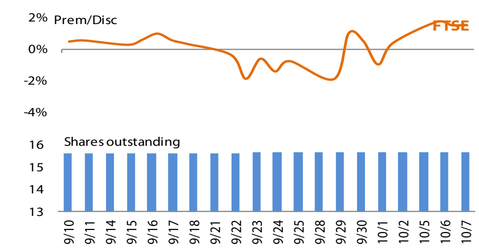
Industry	% change
Technologies	1.3%
Industrials	1.2%
Constructions	3.4%
Oil & Gas	0.3%
Distribution	0.0%
F&B	-0.6%
Household Goods	1.1%
Cars & Parts	2.0%
Chemicals	0.6%
Resources	0.4%
Insurances	5.0%
Real Estates	2.5%
Financials	0.9%
Banking	1.8%
Utilities	-0.2%
Healthcare	-0.7%

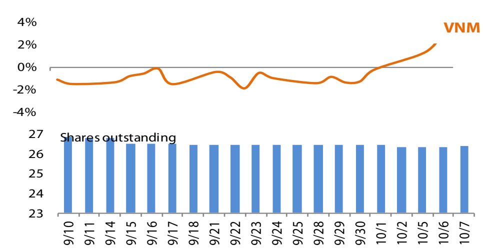


Foreign Investors Trading

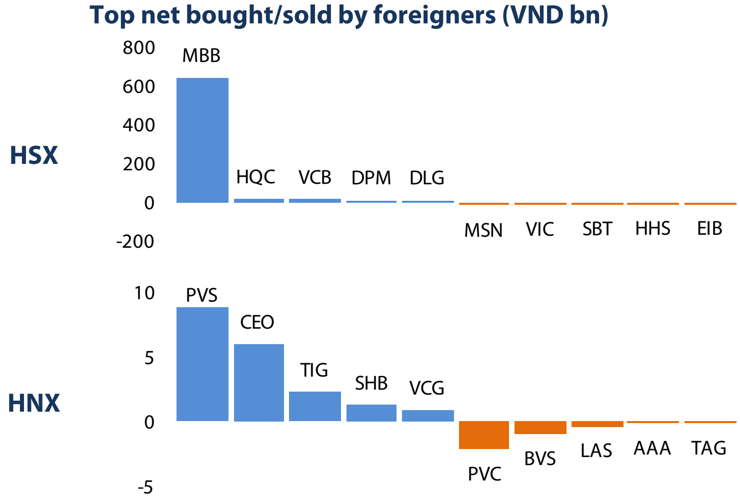


ETF





Top net bought/sold by foreigners (VND bn)



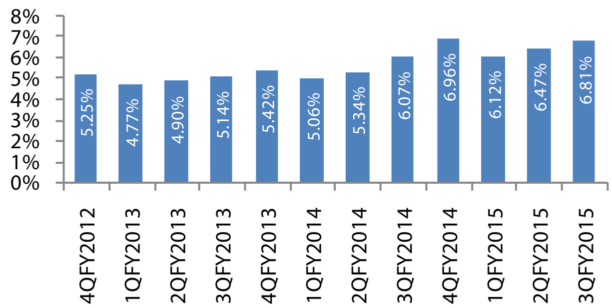
Top Active

Ticker	Price	Volume	% price change
FLC	7.1	12.79	6.0%
MBB	15.1	9.34	-1.9%
HQC	5.8	7.44	5.5%
CII	23.4	5.47	-0.8%
ITA	6.0	5.39	5.3%

Ticker	Price	Volume	% price change
KLF	4.7	6.27	9.3%
SCR	8.4	5.52	1.2%
SHB	6.9	4.77	1.5%
PVX	3.0	2.70	0.0%
VIX	8.4	2.02	2.4%

MACRO WATCH

Graph 1: GDP Growth

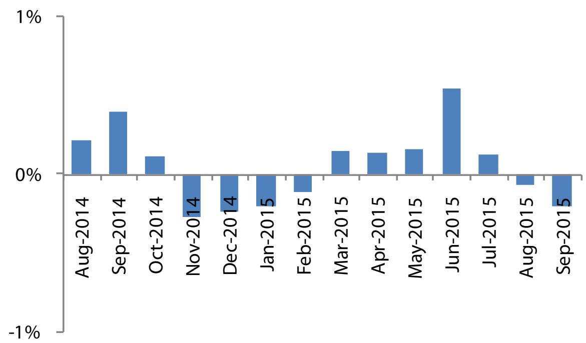


Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP

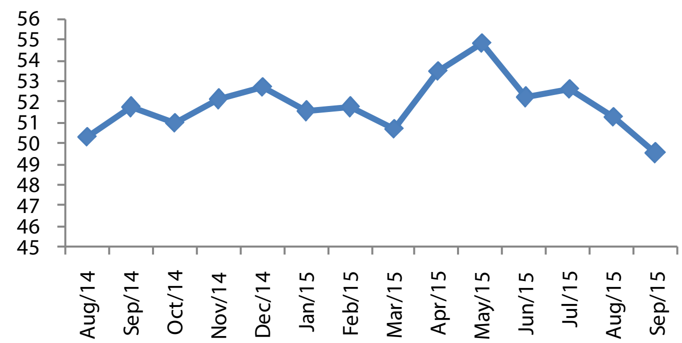
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



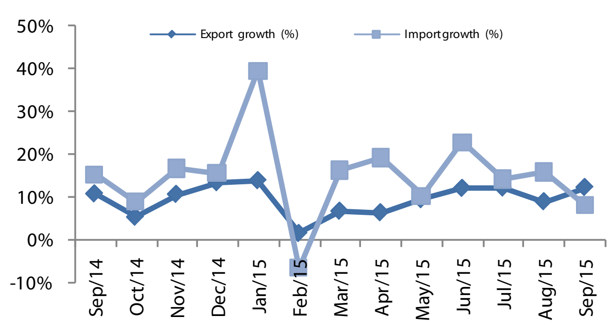
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



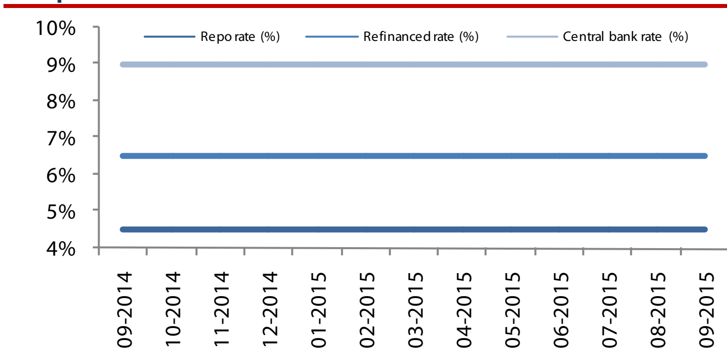
Sources: GSO. Rongviet Securities database

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
CHP- Off season advantages	Sep, 30th 2015	Buy - Intermediate	23,600
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

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	29/09/2015	0% - 0.75%	0% - 2.5%	11,922	11,900	0.18%
VEOF	29/09/2015	0% - 0.75%	0% - 2.5%	10,241	10,156	0.84%
VF1	02/10/2015	0.2% - 1%	0.5%-1.5%	22,761	22,699	0.27%
VF4	02/10/2015	0.2% - 1%	0%-1.5%	10,112	10,095	0.16%
VFA	02/10/2015	0.2% - 1%	0%-1.5%	7,097	7,217	-1.66%
VFB	02/10/2015	0.3% - 0.6%	0%-1%	12,375	12,361	0.12%
ENF	25/09/2015	0% - 3%	0%	11,578	11,326	2.22%
MBVF	24/09/2015	1%	0%-1%	10,538	10,391	1.41%
MBBF	23/09/2015	0%-0.5%	0%-1%	12,372	12,336	0.29%

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