AUGUST

18

TUESDAY

ADVISORY DIARY

- **Vietnam automotive sector and the Baht depreciation**
- **Banking stocks: from lagers to leaders**

Vietnam automotive sector and the Baht depreciation

Until afternoon, Bath currency has declined to the lowest level since April 2019 (over 0.6%), meaning that 1 USD equivalents to 35.061 bath. The main reason of the slump came from bombing yesterday in Bangkok with estimated total injured and killed people of 200. This increased a economy concern while political problem has prolonged. Although, Bath has been affected significantly by PBOC's changing exchange rate calculation of Yuan and a possibility of FED's raising interest rate in the end of 2015.

Due to a lack of positive supports, it is difficult for Baht currency recovery in short-term. This factor, thus, will indirectly impact positively on import goods from Thailand. In today Advisory Diary, we will share our outlook about the effect of Baht on automobile retail industry – one of potential sectors as RongViet Research's estimation in 2015

According to our analyst, both imported and assembled auto distribution will take benefit in short-term. In import car distribution segment, there have been 3 largest countries exporting vehicles to Vietnam as China, Korea, and Thailand (as of June2015). Particularly, Thailand accounted for 19% of total imported car number and 12% of value. Most of vehicles imported by Thailand are pickup trucks with popular brands as Ford, Mitsubishi, Chevrolet, Nissan.. With a decrease of 0.5% to 35.5601 baht/USD, one of company distributing pickup truck as SVC will take a slight benefit. In a similar case, we estimated the impact of exchange rate on HHS (importing Dongfeng heavy truck from China) in the situation of Yuan devaluation. The fluctuation can improve relatively gross margin ~ 0.3%. Thus, in short-term, exchange rate certainly causes impact but not significantly. In long-term, distributor will adjust the selling price.

In term of domestic assembled car, more than 90% of parts and components used to assemble the current domestic auto parts are imported from countries like China, Thailand and Japan. Consequently, the declines in both yuan and Baht have a positive impact on product cost assembly. However, an assembled product is normally required a composition of multiple components so we are unable to provide an accurate estimation on the exact impact on the net profit margin of companies in the sector.

"Banking stocks: from lagers to leaders "

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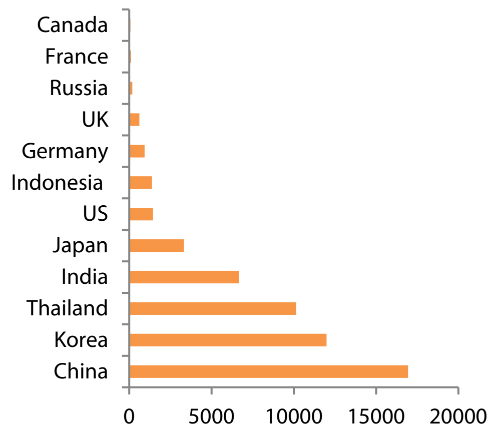
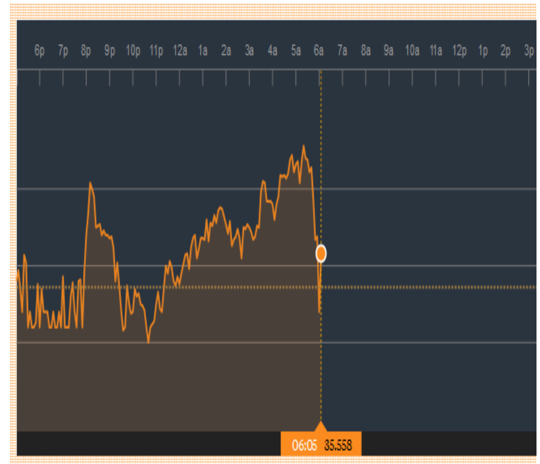
Exhibit: Number of imported car by country in 1H2015



Source: GSO

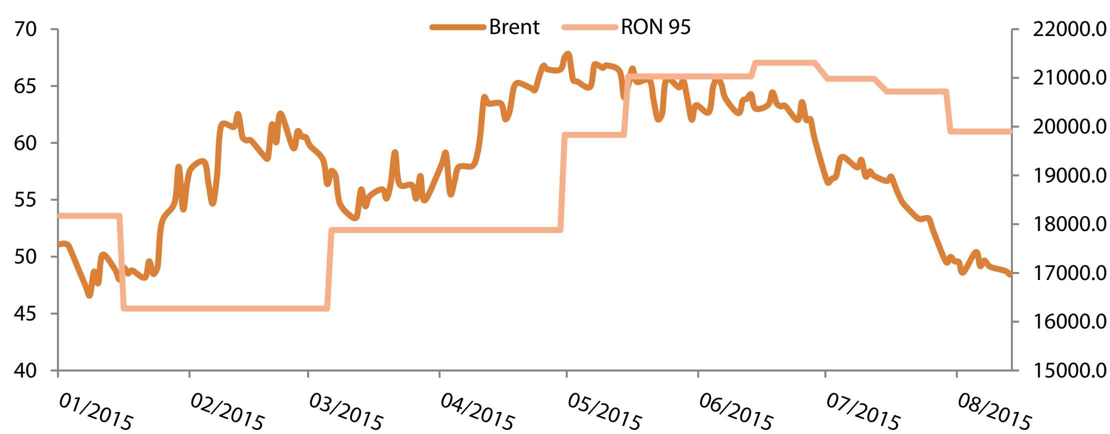
Exhibit: Movement of Baht price in 18/08/2015



Source: Bloomberg

Both oil prices and currencies move in similar downward direction. At the end of trading session in 17th August 2015, WTI and Brent closed at the lowest record price since 2009, 41.49 USD (- 21.24 % y-o-y) and 49.03 USD (14.16% y-o-y) per barrel respectively. However, domestic gasoline price stay at 19.900 VND per liter (RON 95) and even increase 9.52% compared with the beginning of 2015. Therefore, our expert analyst believes that gasoline price would fall tomorrow. The estimated price would be about 300 to 500vnd per liter.

Exhibit: The movement of Brent and RON 95 prices



Source: Bloomberg, RongViet Research

Banking stocks: from lagers to leaders

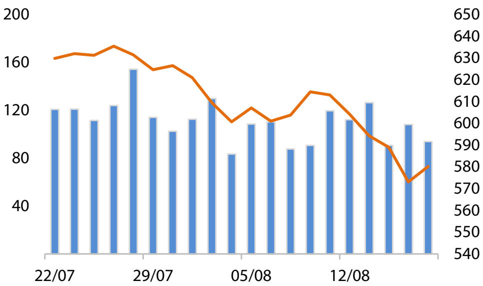
After falling sharply on Monday, the market surprisingly recovered on both bounces. VNIndex and HNIndex increase by 1.23% and 0.72% respectively. Contrary to the evolution of the index, market liquidity is still negative with a total volume of 121 million shares (-14%).

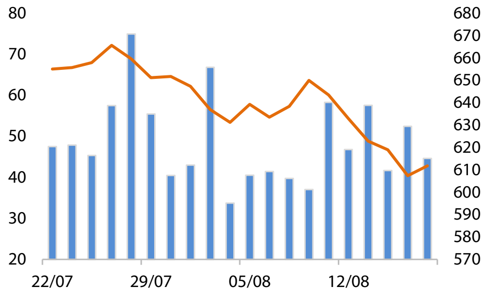
According to our observations, today's rise was mainly due to the leadership of large-cap stocks such as banks, insurance and oil and gas (GAS, VCB, BVH). Notably, the banking group has reversed sharply from the previous trading session and played an important role in market momentum. In essence, this group is showing sizable amount of capital flowing into the market with the trading volume and trading value increasing by 57% and 23% respectively compared to the last week average.

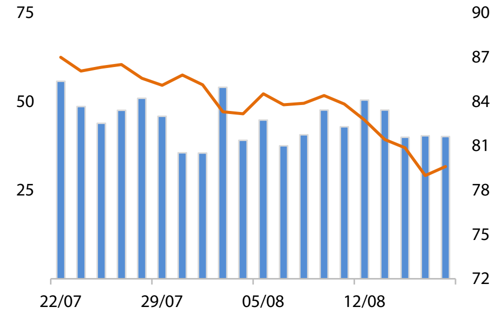
Meanwhile, O&G stocks such as GAS, PXS, PGD, PXT etc. had a positive recovery regardless of world oil prices bottoming yesterday. Market uptrend was also strengthened by involvement of Insurance sector, specifically BVH (+5,3%), BMI (+3,8%). Contrary to domestic investors, foreigners were net sellers today to the tune of VND44 billion in both Ho Chi Minh and Hanoi exchanges.

Market recovery lessened the intense of force sell mentioned in previous Advisor Diary. However, observing low liquidity today, our market expert thinks this is just a technical recovery. However, today trading session plays a significant role in stabilizing investors' sentiment; unless there is shocking news, a tug of war between long and short forces may burst out in upcoming sessions.

VNINDEX 1.23% **580.22** | **VN30** 0.72% **611.80** | **HNXINDEX** 0.77% **79.60**

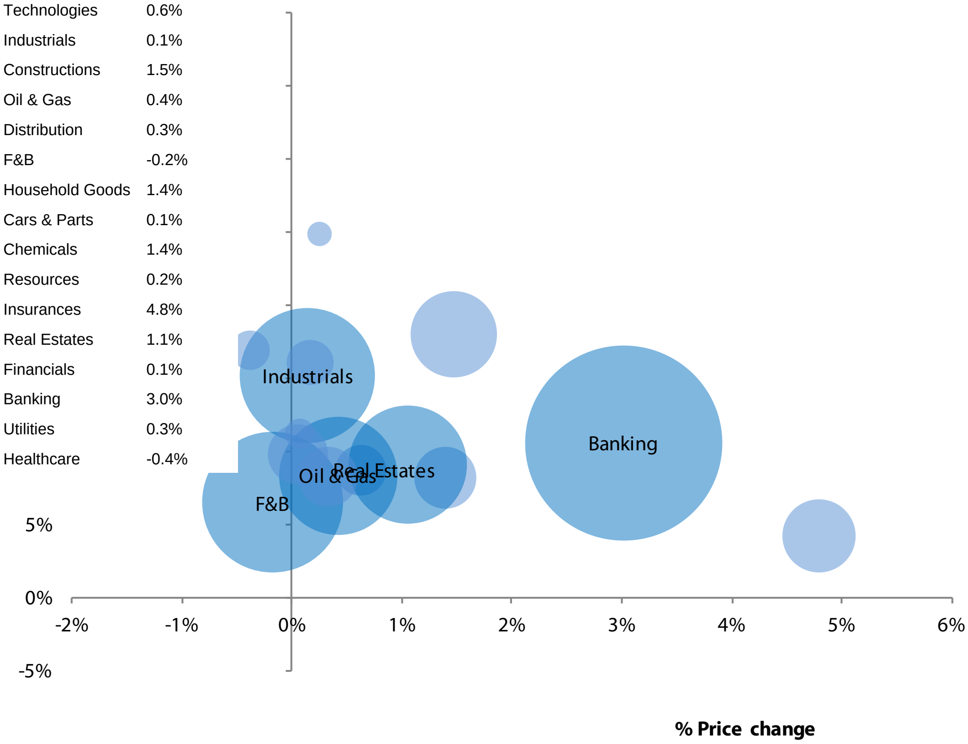




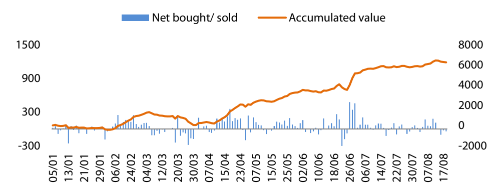


Industry Movement

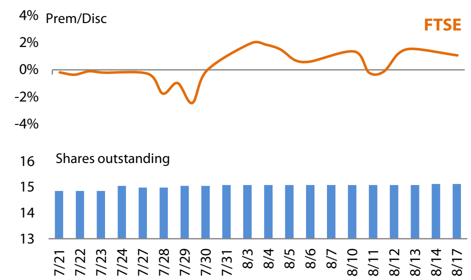
Industry	% change
Technologies	0.6%
Industrials	0.1%
Constructions	1.5%
Oil & Gas	0.4%
Distribution	0.3%
F&B	-0.2%
Household Goods	1.4%
Cars & Parts	0.1%
Chemicals	1.4%
Resources	0.2%
Insurances	4.8%
Real Estates	1.1%
Financials	0.1%
Banking	3.0%
Utilities	0.3%
Healthcare	-0.4%

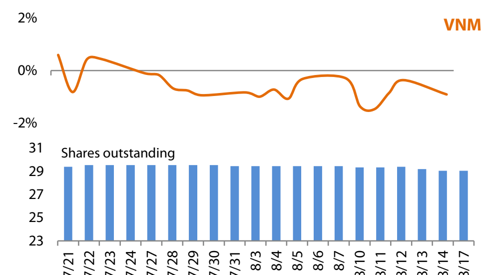


Foreign Investors Trading



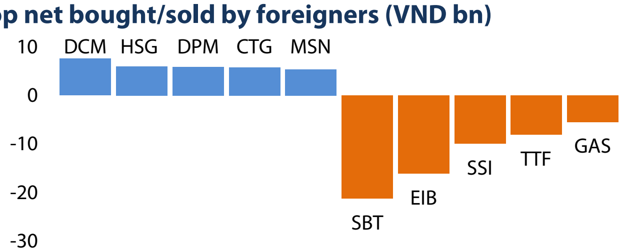
ETF



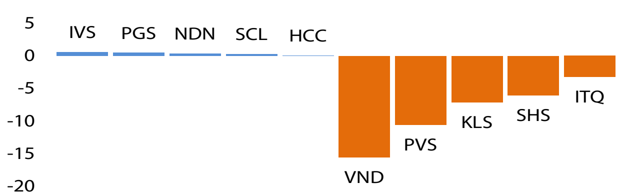


Top net bought/sold by foreigners (VND bn)

HSX



HNX



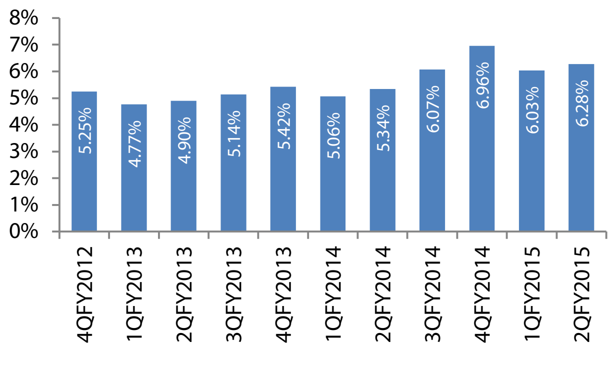
Top Active

Ticker	Price	Volume	% price change
EIB	12.2	7.31	-3.2%
CII	26.1	7.06	7.0%
SBT	14.3	3.27	-0.7%
MBB	14.8	2.44	0.7%
NT2	25.5	2.33	2.0%

Ticker	Price	Volume	% price change
SHB	7.4	4.23	2.8%
SCR	8.3	3.17	2.5%
KVC	12.9	2.46	-2.3%
VND	14.4	2.37	0.7%
KLF	5.5	1.83	0.0%

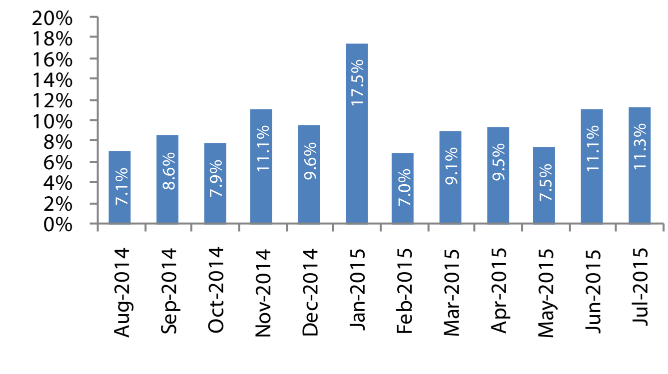
MACRO WATCH

Graph 1: GDP Growth



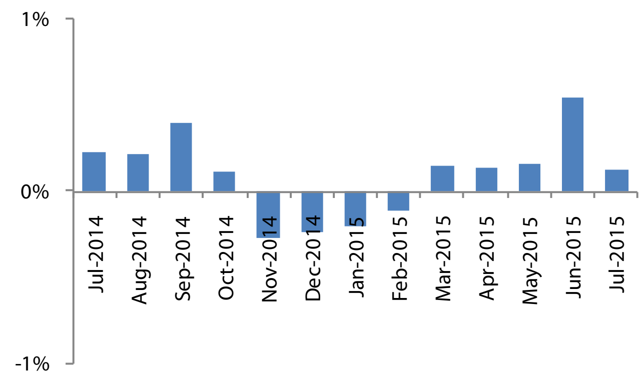
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



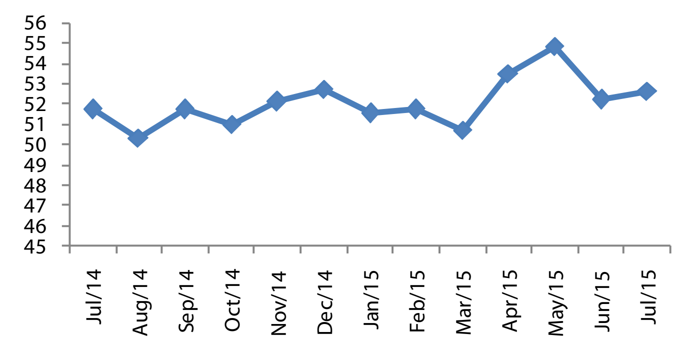
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



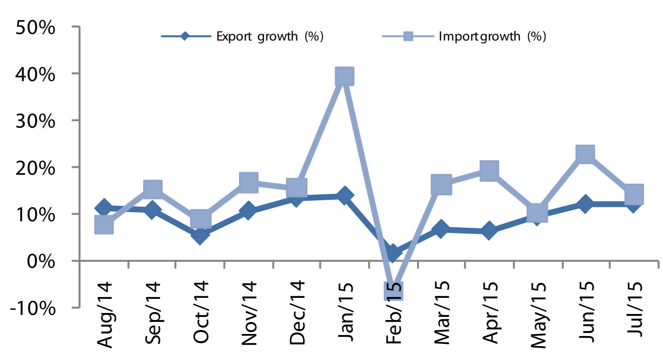
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



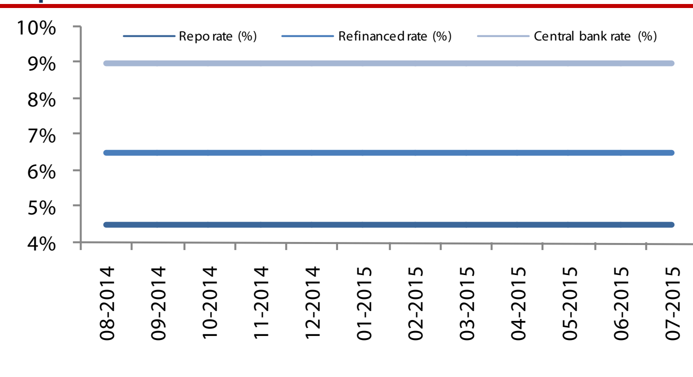
Sources: GSO. Rongviet Securities database

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
MAC – Bigger Propellers, further waters	Aug, 7th 2015	Buy – Long term	17,600
NT2 - Growth in stability	July, 30th 2015	Buy – Intermediate term	30,200
FMC - Leaping in overseas waters	July 23rd, 2015	Accumulate – Intermediate term	27,000
SVC - Firing up the engine	July 20th, 2015	Accumulate – Intermediate term	24,100
LCG - A new cycle begins	July 16th, 2015	Accumulate – Intermediate term	9,500

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	11/08/2015	0% - 0.75%	0% - 2.5%	11,851	11,856	-0.04%
VEOF	11/08/2015	0% - 0.75%	0% - 2.5%	10,298	10,011	2.87%
VF1	14/08/2015	0.2% - 1%	0.5%-1.5%	23,279	23,537	-1.09%
VF4	14/08/2015	0.2% - 1%	0%-1.5%	10,459	10,573	-1.08%
VFA	14/08/2015	0.2% - 1%	0%-1.5%	7,404	7,482	-1.04%
VFB	14/08/2015	0.3% - 0.6%	0%-1%	12,331	12,311	0.16%
ENF	07/08/2015	0% - 3%	0%	11,601	11,665	-0.55%
MBVF	06/06/2015	1%	0%-1%	10,735	10,578	1.48%
MBBF	05/08/2015	0%-0.5%	0%-1%	12,299	12,300	-0.01%

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