Market today: More traders are following catalysts called “banking”

(Tuan Huynh - Ext: 1318)

Banking stocks were trading as our expectation (mentioned in 6/5/2016). After breaking out successfully the long-term resistance levels, cash flows at banking stocks (BID, CTG, VCB) were relatively higher. These banking stocks have supported our market sentiment actively. The positive sentiment extended to other large capital leaders as: VNM, VIC, BVH. With these stocks’ increasing contribution, VNIndex surged by over 9 pts (+1/49%) in today session.

“More traders are following catalysts called “banking””

Currently, investors are waiting for two catalysts at banking stocks. Firstly, many traders expected that BID would pass all requirements by ETFs in next reconstitution period. BID now does not meet the criteria relating to free-float. At AGM in April, this bank proposed the plan to raise additional capital of VND9,446 billion. If SBV’s shareholders do not purchase these new issued shares, the free-float of BID would satisfy the requirement by ETFs. However, investors should not forget that last year BID faced high selling pressure after failing to become a stock in ETFs’ portfolio. BID has not showed that it will issue as the plan in this month. Therefore, investors should be cautious about this catalyst. We do not think BID could be selected by ETFs in next reconstitution period (in June).

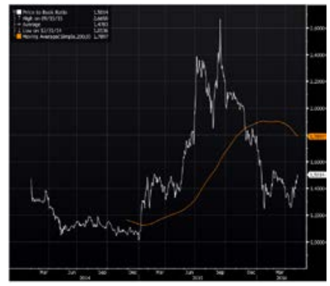
FOL lifting to above 30% at VCB and CTG was mentioned again in media. However, as these two banks’ plan, SBV’s holding at these two banks would only decreased to 65% by 2020. VCB has still been in process of seeking a foreign strategy partner for issuing additional 10% of its shareholding while CTG still tries to persuade the SBV to allow it to lift the FOL to 40%. In 2016, not accounting for the issue for the strategy partner, VCB also planned to issue bonus shares for current shareholders at ratio of 35% while CTG has not yet had any plan of raising more capital in this year. Besides, we noticed that FOL news at banking sector has been repeatedly in discussion when banking stock prices go higher.

Therefore, investors seemed to be attracted by old catalysts at banking stocks. However, traders usually pay more attention to cash flows than whether the catalyst was reasonable or not. If liquidity at banking stocks remains as current, more traders would probably enjoy this “banking game”.

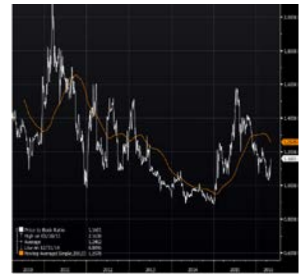
Currently, three banking stocks have seen the dispersion in their financial performance. VCB owns better profitability (ROE and ROA higher than a median of regional banks) but also has relatively higher pricing ratio (current P/B is higher than its 200-day moving average). Otherwise, CTG and BID have lower profitability than the median of regional banks but have current P/B deeply below their 200-moving average. Therefore, investors who favor these stocks can have two optional choices: (1) stable business operation but not much cheap in valuation (VCB), (2) taking higher risk and gaining higher potential return (CTG, BID).

P/B movements of VCB

P/B movements of BID



P/B movements of CTG



Source: Bloomberg

Table: Valuation and profitability ratio of banks in same region with Vietnam

Ticker	Country	Mkt Cap (million USD)	P/B	P/E	ROE	ROA
CTG VN Equity	VIETNAM	3,007	1.12	10.17	11.17	0.89
VCB VN Equity	VIETNAM	5,859	2.76	21.51	13.16	1.00
BID VN Equity	VIETNAM	2,853	1.48	9.94	15.85	0.80
TMB TB Equity	THAILAND	2,707	1.19	9.75	12.91	1.19
2801 TT Equity	TAIWAN	4,153	1.05	11.26	9.36	0.63
5876 TT Equity	TAIWAN	3,323	0.94	9.10	10.67	0.75
2887 TT Equity	TAIWAN	3,223	0.90	9.15	10.97	0.91
2890 TT Equity	TAIWAN	2,852	0.71	8.62	8.45	0.69
5880 TT Equity	TAIWAN	4,655	0.82	11.29	7.65	0.41
138930 KS Equity	SOUTH KOREA	2,471	0.38	4.36	9.12	0,56
SECB PM Equity	PHILIPPINES	3,030	1.92	15.39	13.84	1,59
MCB PA Equity	PAKISTAN	2,478	1.79	11.18	16.12	2,22
UBL PA Equity	PAKISTAN	2,029	1.42	8.18	18.46	1,96
HBL PA Equity	PAKISTAN	2,767	1.54	8.47	18.83	1,63
AMM MK Equity	MALAYSIA	3,379	0.90	8.63	10.72	1,16
RHBC MK Equity	MALAYSIA	4,565	0.78	10.32	7.22	0,67
HLFG MK Equity	MALAYSIA	4,234	1.13	10.81	10.77	0,72
BDMN IJ Equity	INDONESIA	2,139	0.79	11.06	7.37	1,35
IDBI IN Equity	INDIA	2,092	0.46	11.78	3.92	0,28
CBOI IN Equity	INDIA	2,007	0.75	17.11	3.95	0,22
6196 HK Equity	CHINA	3,155	1.07	4.35	22.99	1,43
3866 HK Equity	CHINA	2,594	1.01	7.24	13.74	1,06
416 HK Equity	CHINA	4,485	1.15	4.67	23.75	1,60
1963 HK Equity	CHINA	2,248	0.71	4.13	17.05	1,07
6138 HK Equity	CHINA	3,075	0.61	4.55	14.23	1,13
3618 HK Equity	CHINA	4,542	0.61	4.04	15.99	1,08
Trung vị khu vực		3,030	0,90	9.10	10.97	1.07

Source: Bloomberg, Rongviet Research

Analyst Pin-board

NNC – High business efficiency, attractive valuation

(***Huong Pham -*** *Ext:1314)*

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Recommendations:

VN-Index jumped up strongly thanks to large cap stocks while HNX-Index recovered slightly. The trading volumes remain below average. The current rally is not sustainable and therefore traders should take profit partly and wait for more 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
BHS	18.2	**Sell**	21/04/2016	20.0	22.0		18	10/05/2016	18	-10.00%	Intermediate
HSG	48.3	**Sell**	06/04/2016	34.7	40.5		31.5	06/05/2016	50	44.09%	Intermediate
ITD	22.9	**Hold**	11/03/2016	18.7	22.0		17			22.46%	Intermediate
BCC	13.1	**Hold**	22/01/2016	13.7	15.0		12.5			-4.38%	Intermediate
LHC	49.4	**Hold**	21/08/2015	40.5	49.0		37			19.04%	Long

Notes:
- **Buying Price** is the Close Price at Buying date. **Selling Price** may be the Target Price, Cutloss 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
PTB - As right as a trivet	April 27th, 2016	Accumulate – Long term	130,000
SKG - Using tailwind for a boost	April 27th, 2016	Neutral– Long term	120,000
TCM - Core operation sees improvement	April 27th, 2016	Accumulate – Long term	30,500
MWG- Endeavor to sustain the long-term growth	April 19th, 2016	Buy – Long term	93,000
VSC - Ready for a high and sustainable growth period	April 15th, 2016	Accumulate – Long term	76,000

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
VF1	28/04/2016	0.2% - 1%	0.5%-1.5%	24,696	24,880	-0.74%
VF4	28/04/2016	0.2% - 1%	0%-1.5%	11,118	11,201	-0.74%
VFA	22/04/2016	0.2% - 1%	0%-1.5%	6,680	6,767	-1.29%
VFB	22/04/2016	0.3% - 0.6%	0%-1%	12,849	12,833	0.12%
ENF	22/04/2016	0% - 3%	0%	12,491	12,630	-1.10%
MBVF	14/04/2016	1%	0%-1%	11,223	11,064	1.44%
MBBF	20/04/2016	0%-0.5%	0%-1%	12,651	12,637	0.11%
VF1	28/04/2016	0.2% - 1%	0.5%-1.5%	24,696	24,880	-0.74%
VF4	28/04/2016	0.2% - 1%	0%-1.5%	11,118	11,201	-0.74%

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