05/10/2015

Investment Strategy October 2015

The pessimism of foreigners is the opportunity for local investors

Stocks traded slowly in the September stock market in front of much skeptism from both local and foreign investors. The FED's decision to hold USD rates clearly had a negative impact on the confidence of worldwide investors. In the local market, the absence of a Circular on the much-expected FOL extension also caused much disappointment. As the result, trading volume in the Vietnamese stock market dropped 27% from August and was 22% lower than the nine-month average figure. Foreigners sold in September a net VND989 billion of Vietnamese stocks, the largest one-month sales figure this year.

From our view, the performance of large-caps and stocks indices will continue to suffer from the actions of investors abroad in the upcoming months. A recent report by the Institution of International Finance indicated that over USD40 billion of capital flowed out of 30 emergings market in the quarter ending September. Following the FOMC September meeting, the probability of a rate hike December and January have been adjusted upward by a wide margin. These statistics suggest that the outflows of foreign capital fromVietnam's stock market may have yet to cease, at least until the end of the year.

On the contrary, comforted by upbeat macro data, local investors were seen in late September to be more confident in taking risks in mid and small-caps, especially those in sectors expected to benefit greatly for the TPP. We are convinced that the results of the last TPP meeting in 2015 in Atlanta will stir trading in these stocks and later the enthusiasm in the market. Nonetheless, these issues may not have much influence on the October trend of the major indices. We favor a scenario that the market will see much "green" but will be little in term of index gains this month.

VNIndex is expected to move between 560 and 597 and HNIndex 77 and 83 in October.

As we will elaborate in the below, better-than-expected nine-month growth data for GDP, consumption, trade and investment has put Vietnam in a brighter economic position than other countries in the region. With the TPP, the nation's growth prospect may be even more optimistic. In the long-term, when the emerging-to-developed flight of funds stops, these factors should draw attention back to Vietnamese equities.

For actions in October, investors can take advantage of the growing trend of mid and small-caps to seek profits in the first 1-2 weeks of the month. However, as the month grows old, continued withdrawal of foreign funds may open a opportunities to accumulate the stocks of large companies with stable businesses, positive long-term growth prospect but have been hurt by the pessimism of overseas investors.

For a holding period of 3 to 6 months, investors can select stocks and industries with expectation of optimistic H2 earnings. In this tactic, we favor stocks of automobile and electronics retailers, pharmaceutical companies and consumer goods producers. These are businessed who peak season fall the later months of the year when the demand is high and consumers go shopping for big holidays.

As a rule, Vietnamese constructors often settle contracts and book the majority of revenue in the last quarter. Given strong growth in construction value since the beginning of the year, there should be positive year-over-year growth in constructors' earnings in Q4.

On the other hand, manufacturers often increase imports of raw materials during the third quarter and export finished good from October to December. This is a strong support to the business performance of sea port operators and logistics firms in H2.

On top of postive growth in export orders, a satisfactory outcome of the TPP meeting in Atlanta should give a boost to the stocks of textile-garment and seafood producers.

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We favored the scenario of slow pace in both stock exchanges with slight improvement in liquidity and indices this month. Information risk could be at low level but the pessimism of foreign investors could raise the concern in domestic sentiment. As a result, the recovery in index points could be limited. Under this trend, long-term investors could accumulate blue-chips that have been discounted during the net-selling period from foreign investors.

Regarding short-term investors, the selection of stocks base on (1) having high business results or sale volume over the Q3 and Q4 or (2) benefiting from TPP could bring the opportunities in October. However, it could be noted that "waves" from mid and small-caps could not prolong. Even though positive trend might continue in short-run, investors should cautiously observe and determine the appropriate the breakpoints if investing in such stocks.

The table below is the survey about business prospects in Q3 and the seasonal characteristic in 2H2015 of several industries. Particularly, healthcare, retails (automobiles and electronic devices) and fast moving consumer goods could benefit from the increase in domestic demand over the next months which are close to Tet holiday. Similarly, sale volume and business results from textile and fishery industries such as TCM, TNG, FMC and VHC could receive supports from exporting orders into developed markets during the holiday season.

Due to the specific revenue recognition, companies in construction industry such as FCN, HUT and LCG usually have the highest business results in Q4. Meanwhile, several real estate companies such as BCI, VPH and ITC are expected to record extraordinary income from project transfers during 2H2015.

- Textile-garment: TCM, STK
- Real estate: BCI, KDH, NBB, LHG and VPH
- Construction: LCG, HUT, FCN
- Building materials: DNP, BMP, HT1
- Transport: GSP, PVT, GMD
- Oil & Gas: PLC, PGS, PVG, PVS
- Utilities: NT2, PPC, CHP, SHP
- Retail: SVC, PET
- Others: SKG, DHC, BMI, VSC, FPT

Industries movement in September, 2015 and P/E, P/B of industries at the end of the month

63 stocks of RongViet Research (analyzing, discussing with companies) and have analysis and specific evaluation in "Company report" or "Advisory Diary" since the beginning of this year till now.

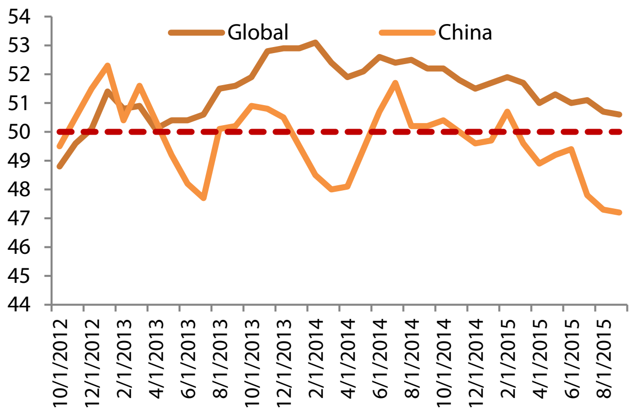
WORLD ECONOMY

- China: stagnated growth continues
- US: FED delayed to hike interest rate, likely have interest –rate liftoff in the late 2015
- EU: unclear economy dynamics

China: stagnated growth continues

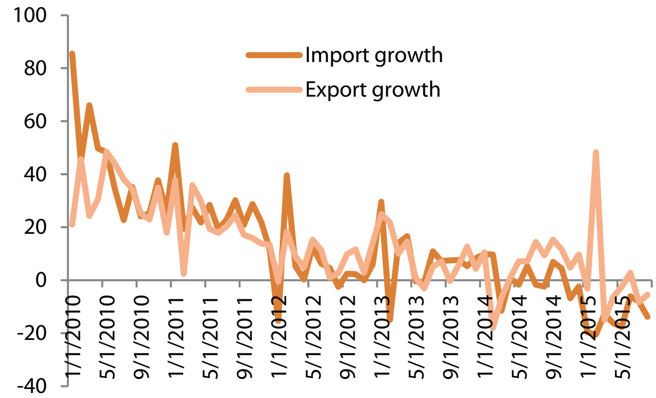
After many downgrades of the global growth's prospect, the slowdown of China remained a risky factor to the global. China's industrial production activities shrank down to 47.2 in September (Caixin PMI), which means 6-year lowest since March 2009. Besides, China's trade kept the downward trend in August 2015, especially imports decreased 14.3% y.o.y. For the first 8 months of 2015, a net export was CNY15,670 billion, 7.7% lower y.o.y. The decline in domestic consumption is one of the main reasons for flagging imports. Despite the growth of 10.8% in August, it was the lowest rate in 5 years. On the other hand, the declined imports resulted in the trade surplus, which increased to CNY 2,230 billion, 80.8% higher than that of last year. The mentioned disadvantages, altogether foresee difficulties faced by the Chinese economy in the upcoming quarters. According to Tradingeconomics, China's economic growth forecast for Q4/2015 was only 6.6%. In addition, China's GDP growth in Q3/2015 announced on October 19th 2015 is going to give a closer look into the country's economy during the last three month.

Figure 1: Chinese and Global PMI manufacturing



Sources: Bloomberg, RongViet Research

Figure 2: Export and import growth



Sources: Bloomberg, RongViet Research

Loosening monetary policy and financial market reform

After cutting policy interest rate in the end of August 2015, Chinese policy makers have recently approved an investment plan on the national railways in order to boost growth. However, we suppose it takes time for China's measures to have effective influence on the economy while numerous internal problems have not been solved. During September, PBoC increased the use of foreign reserves along with other measures implemented in previous months, which made CNY more stable. The yuan value has depreciated by 2.36% since the change in exchange rate policy. Additionally, we observed some positive political and technical actions from China in order to successfully include CNY to the SDR basket. There are: (1) Reporting monthly foreign exchange reserves to IMF, (2) Passing rules on foreign banks' transactions in the Chinese money market, (3) Committing to the opening of bond market…

Table 1: Export and import growth

	Export growth	Import growth
Indonesia (**)	-12.28%	-17.06%
Philippines (*)	-1.8%	16.9%
Singapore (**)	-10.8%	-6.8%
Thailand (**)	-6.7%	-4.8%
Vietnam	12.4%	8.2%
China (**)	-5.5%	-13.8%

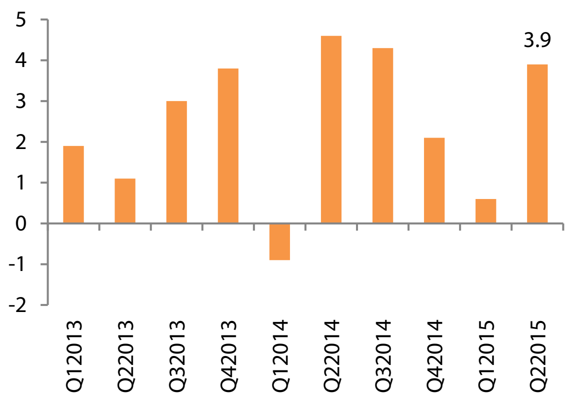
Source: Bloomberg, RongViet Research, (*) updated to July, 2015, (**) updated to August, 2015

FED delayed to hike interest rate, likely have interest –rate liftoff in the late 2015

Due to a global economy's negative prospect, FED made known to delay interest-rate hike in September meeting. However, most FOMC members supposed that it is the best to hike interest rate in the late 2015 while some macro indicators proved that US economic prospects will keep its pace in Q22015.

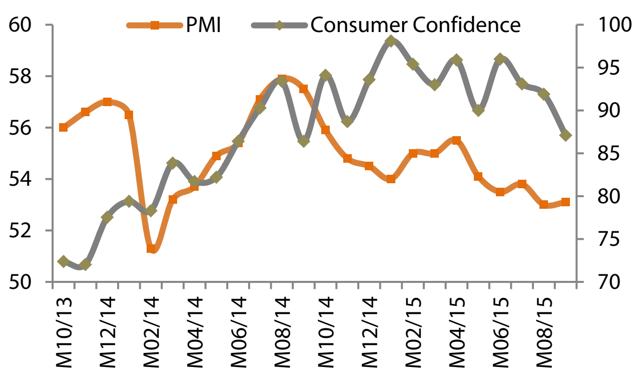
According to the updated information, US GDP growth expanded to 3.9% in Q22015, better than a 3.7 percent gain in the previous estimate. Additionally, manufacturing activities continues to expand as US PMI manufacturing saw an improvement. In September, this figure increased slightly from the level of 53 in August to 53.1 with a positive recovery in output and new orders. Meanwhile, labor market also remained stable with unemployment rate reaching the lowest level of 5.1% in September, 2015. However, US non-farm payrolls saw the stagnation this month with only adding 142,000 jobs, lowering than the average of 216,000 jobs added in the previous four months. Simultaneously, average hourly wages' growth unlikely met expectations while decreasing by 0.04% mom in September, an increase of 2.2% yoy. Consumer confidence also reached at 87.1 points in September, higher than an estimate of 85.7 point; however, this figure still lowered than the first 8-month average of 94.1.

Figure 3: Q22015 US GDP growth



Sources: Tradingeconomics, RongViet Research

Figure 4: US PMI and consumer confidence



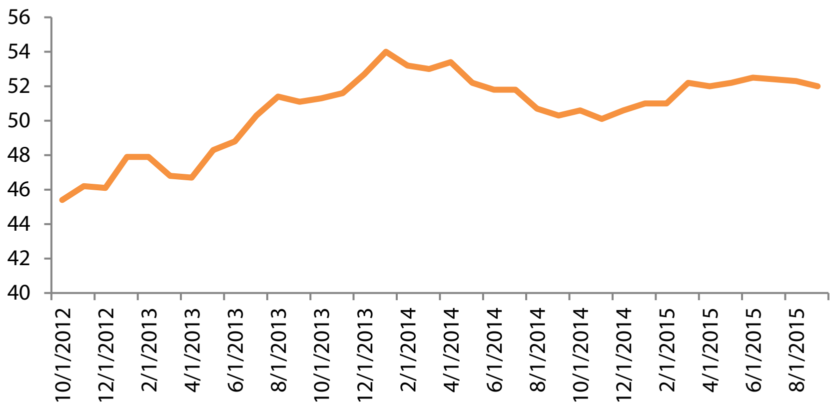
Sources: Tradingeconomics, RongViet Research

EU: unclear economy dynamics

As mentioned in the September Strategic Report, along with US, UK was one of the rarely developed countries that have positive changes in the economy. According to the forecast from several institutions, Bank of England could increase the interest rate in Feb, 2016. Meanwhile, countries in EU (mainly in Northern Europe) such as Switzerland, Sweden and Norway have implemented easing monetary policies. In the Sept, 2015 announcement, ECB asserted that the interest rate could be maintained and ready for additional QE if need.

The segmentation of monetary policies was initiated from the imbalance of economic recovery from countries over the Europe. In Sept, 2015, there were several minor rebounds in industrial production in Germany, Spain, Italy and France. Particularly, PMI of manufacturing sector in the region slightly increased from 53 in August to 53.1 points. Furthermore, over the last adjustment, GDP growth for Q22015 of Europe achieved 0.4%, slightly improved compared to the previous figure 0.3%. Meanwhile, other macro factors such as unemployment rates and consumer confidence index also recorded optimistic movements compared to last months; however, we believe that the growth dynamics of EU demonstrated no obvious signals even though the central banks and ECB have implemented easing monetary policies.

Figure 5: EU PMI

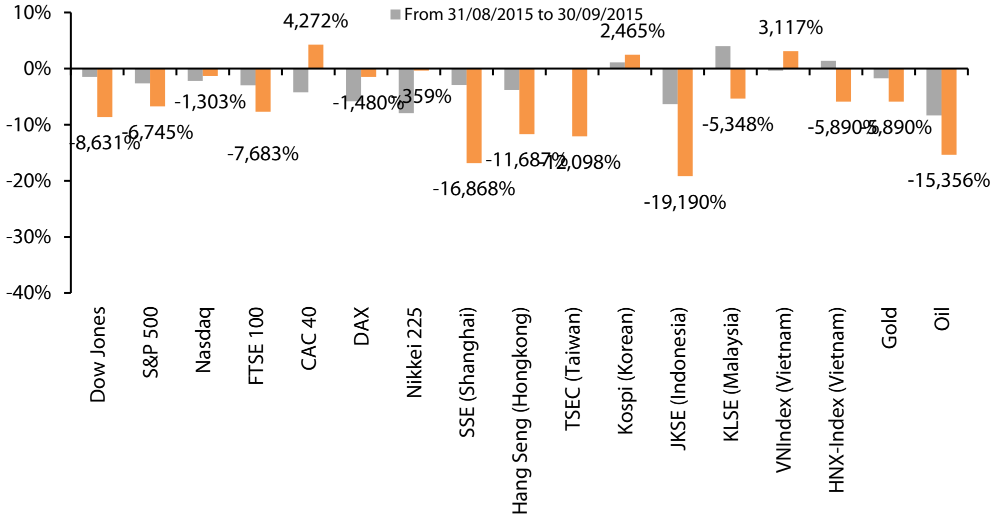


Sources: Bloomberg, RongViet Research

Under the spreading risks to global due to the slowdown of Chinese economy and emerging markets, the push from ECB into EU zone need to be more powerful. In recent outlook report of Q4/2015 from HSBC, it pointed out that EQ program for EU zone could prolong to Dec, 2016 instead of Sep, 2016.

World stock markets: Gloomy Q3

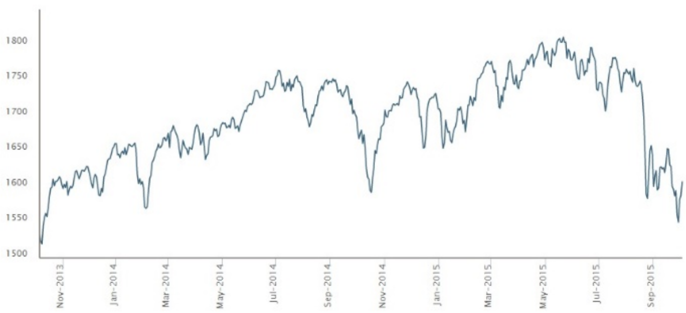
Figure 6: World stock markets in September



Source: Bloomberg, RongViet Research

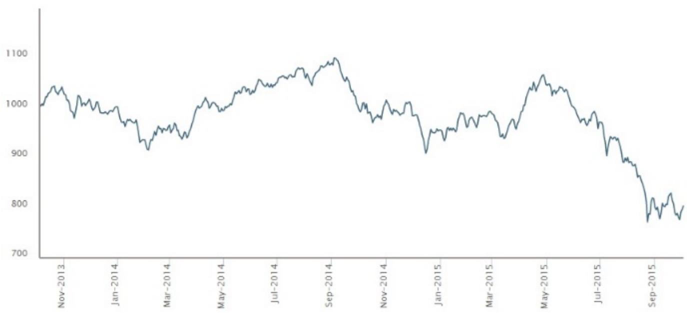
Stock markets around the world continued to slip deeply in September. In USA, Dow Jones, S&P 500 and NASDAQ lost 1.47%, 2.64% and 2.19% respectively compared to August 2015. More to emphasize, US stock markets suffered a forgettable quarter as Dow Jones lost 6.19% while S&P 500 and NASDAQ also plunged by 4.41% and 2.78% in Q3. Sketching through other markets in Europe and Asia, there were no sight of bright spots except for TSEC (+0.08%), Kospi (+1.10%), KLSE (+4.01%) and HNIndex (+1.39%) in September. However, none of them survived the lost wave in Q3. Evidently, the MSCI World Index (represents for developed markets) dropped 9.72% in Q3.

Figure 7: MSCI World Index



Source: MSCI

Figure 8: MSCI Emerging Markets Index



Source: MSCI

Also, a recent report of International Institute of Finance (IIF) stated that about USD40 billion of assets has been sold in Q3/2015, whereas USD19 billion has been withdrawn from equity markets and the rest was pulled out from bond investment funds. The report also provided that this is the highest withdrawal capital ever since Q4/2008. The MSCI Emerging Market Index reflected a same result as this index lost 22.75% in Q3/2015.

Market declining in Q3/2015 can be explained mainly by investors' increasing anxiety about signs of decelerating economic growth in China as well as other emerging markets. In addition, obscure information about Fed rates hiking also partly affected investors' sentiment.

VIETNAM ECONOMY

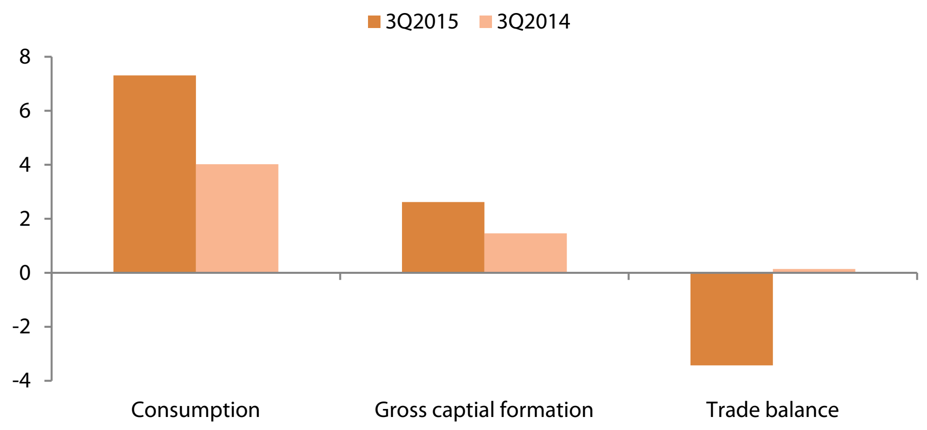
- Could Vietnam hold the best position on the map of the region in the last quarter?
- Liquidity of the banking system could face difficulties in the last quarter of 2015
- Reduce state expenditure could negatively affect public investment and growth

Could Vietnam hold the best position on the map of the region in the last quarter?

9M2015: Consumption and industrial production were the highlights for GDP growth

Economy continued the rally in Q3/2015 with GDP growth rate at 6.81%. Accumulated first 9 months of 2015, GDP growth rate achieved 6.5% - the highest over the last 5 years; particularly, industrial production and consumption continue to significantly contribute over 85% of overall growth. In detail, with rapid growth, equivalent to 9.57% and 6.17%, both sectors contributed 3.12 and 2.38 percentage points to total growth. Regarding GDP usage, over the first 9 months of 2015, final consumption and gross capital formation recorded remarkable transformation, equivalent to 9.07% and 8.08% increase y.o.y.

Figure 9: Factor contributions to GDP growth rate in 3Q2015



Sources: GSO, RongViet Research

Throughout the journey from late 2013, Vietnam production activities showed the reliability growth, proven by PMI that continuously maintained expansion (achieved over 50 points in 24 consecutive months). In addition, domestic consumption has benefited from the low commodity prices since mid-2014. In August report from IMF, oil and food price indices have dropped by 54.3% and 16.4% y.o.y respectively. In September, the concern about the recession of several major economies such as China, Russia, Brazil… made the commodity prices to hit the 6-year low. Vietnam CPI recorded the decline in two consecutive months and core inflation is currently at 5-year low. As a result, those factors supported for domestic consumption to achieve positive transformation, especially in retail sector (contributed 9.9 percentage points to accumulation growth of 9M2015). Since earlier this year, domestic consumption (excluding price factors) increased by 9.1%, while the growth over the same period only reached 6.2%. Compared to other emerging countries, Vietnam remains a bright spot in region in term of consumption, investment and export, resulting in the positive growth in national account.

Table 2: Vietnam and selected emerging countries

	GDP	Consumption	Investment	Government Consumption	Export
China	-		-	++	-
Malaysia	-	+	-	--	+
Indonesia	+	+	-		+
Philippines	+		++	++	
Thailand	-		-	++	-
Vietnam	++	+	+	--	+

Sources: MS, Bloomberg, RongViet Research

Q42015 outlook: hold the position but growth could be steady

According to Markit, the pace of increase in Vietnam's manufacturing sector has been narrowed in Sept 2015. This is quite similar to the region's trend; however, Vietnam manufacturing is still better than other countries. The latest data of consumer confidence suggested the downturn, even low price of commodities; we think Vietnam's consumers do not seem optimistic like other countries. Nonetheless, we suppose that retail sales will continue supporting GDP growth in the last quarter.

Table 3: Leading indicators in Q4/2015

	PMI		Consumer Confidence		Historical trend in the last quarter of 2014			
	3M average	Trend	3M average	Trend	Export	GDP	Consumption	Manufacturing
China	**47.4**	↘	139.3	↘	↗	→	↘	↘
Malaysia	**47.7**	↗	75.8	↘	↗	→	↗	↗
Indonesia	**47.7**	↘	148.5	↘	↘	↗	↘	↘
Philippines	(1)	↘	(3)	↗	↘	↗	↗	↗
Thailand	(2)	↘	101.8	↗	↘	↗	↗	↗
Vietnam	**51.9**	↘	135.9	↘	↗	↗	↗	↗

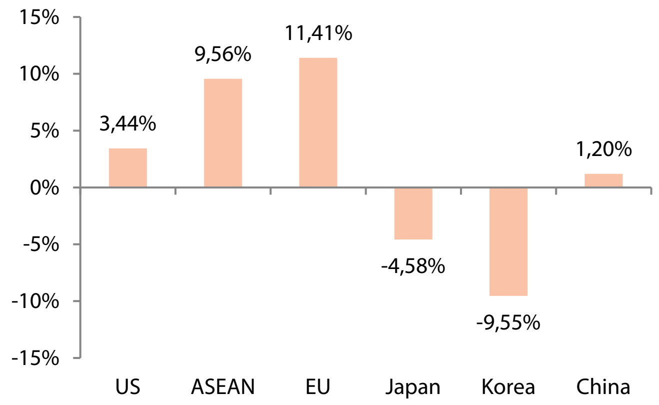
Sources: Bloomberg, Tradingeconomics, ANZ, RongViet Research

(1) & (2): industrial production growth; (3) Quarterly consumer confidence

In the manufacturing sector, sign of decline in export orders is the most notable points, this lasted for 4 consecutive months. The data showed that Q4 is usually the best quarter of export growth in ASEAN and EU markets, while other markets had negative growth or increased slightly compared to Q3. Based on the prospect off above markets in the final quarter of 2015, we expect exports to EU and US will continue to outperform in Q4. Meanwhile, export orders from the remaining markets may slow compared to Q3. Trade deficit could likely increase in the last quarter, the trade deficit is estimated at USD5-7 bn in 2015.

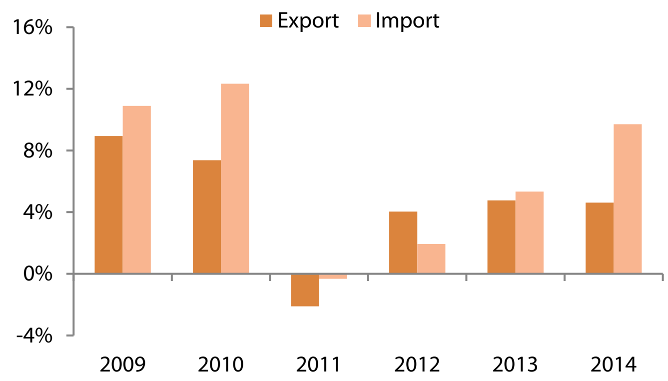
To be concluded, we think Q4 GDP growth could be supported by the manufacturing and consumption. Agriculture - the third contributors to GDP – is not positive and the increase in trade deficit would restrain GDP growth. Normally, the final quarter records the strongest growths, in addition, quarterly GDP growth (not exclude seasonal factors) is usually high in Q2 and Q4. Therefore, Q4 GDP is estimated at 6.74% (qoq), accordingly, GDP in 2015 is estimated at 6.6%.

Figure 10: Export growth at some main markets (Q42014 vs Q32014)



Sources: Customs, RongViet Research

Figure 11: Trade growth (Q4 vs Q3, annually)



Sources: Customs, RongViet Research

Liquidity of the banking system could face difficulties in the last quarter of 2015

According to the preliminary data from the SBV, deposit growth in Q32015 had the signal of stagnation with only 2.8% increase, the lowest level over the last 3 years. Meanwhile, credit growth recorded at the highest figure over the last 5 years (~4.5). Regularly, the last quarter is usually the peak period for credit growth. Therefore, the question is that what could be the impact from the difference between deposit and lending rate on banking liquidity in Q42015?

Table 4: Deposit and credit growth (quarterly)

Growth	Deposit				Credit			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2013	2.9	8.8	3.0	8.4	1.2	-0.4	2.2	5.7
2014	2.8	3.6	3.2	7.5	0.5	4.2	3.6	4.6
2015	2.3	4.6	2.8		0.9	2.8	4.5	

Sources: SBV, RongViet Research

According to our observation, the recent movements from interbank market and OMO have been relatively stable. The interest rates from both markets have dropped demonstrating the positive liquidity in the whole system. Furthermore, lending/deposit rates of the banking system until late Sep, 2015 only recorded at 76.5%. It means that there is no imbalance between lending and deposit.

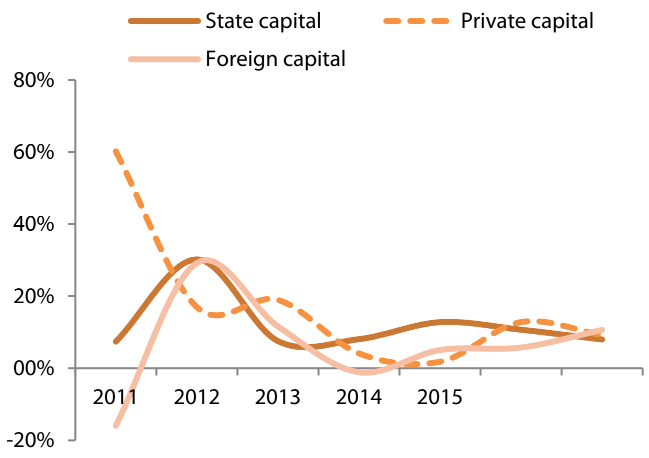
However, as mentioned above, the peak quarter of credit growth is usually Q4, capital demand in interbank market also slightly increased by ~10% during the last three years. In addition, we believe that there are several external aspects could impact on the liquidity of foreign currencies, thus the banking liquidity may receive some impacts. Particularly, in Nov, 2015, IMF will decide to whether adding or rejecting the yuan to international reserve-currency. If IMF decides to add, the pressure of the Yuan devaluation could decline thanks to the surging demand from other central banks. In contrast, the failure in achieving the ambition to internationalize the Yuan could put more depreciation pressure to this currency; as a result, the stability of USDVND could be at risk. Moreover, high probability that FED could increase the interest rate in the FOMC next December. Base on recently analysis, we believe that late 2015 could be the harsh period for commercial banks in term of maintaining the stable liquidity. Since mid-Sep, 2015, several commercial banks have slightly raised the deposit rate by 0.1 – 0.3%, this could be the initial signal to start a reserve trend of interest rates in the future.

Under policy makers' perspectives, we recognized that the SBV has taken the preparing steps for such issues. The decrease in USD deposit rates could be the example; in parallel with the draft circular to replace Circular 43 in order to ease the demand pressure for foreign currencies in the end of this year. Controlling the room for credit growth could be the solution usually used by the SBV; however, with the goal of 17% credit growth for 2015, the credit growth target for Q4 will be 6.2%, the highest level since 2012. Therefore, the policies that have been implemented showed the appeasing characteristic rather than completely controlling. The SBV could use foreign reserve to achieve the goal of maintain exchange rate and liquidity stability; however, the reserves have dropped. According to our estimation, the decrease in foreign reserves has reached more than USD 7 billion.

Reduce state expenditure could negatively affect public investment and growth

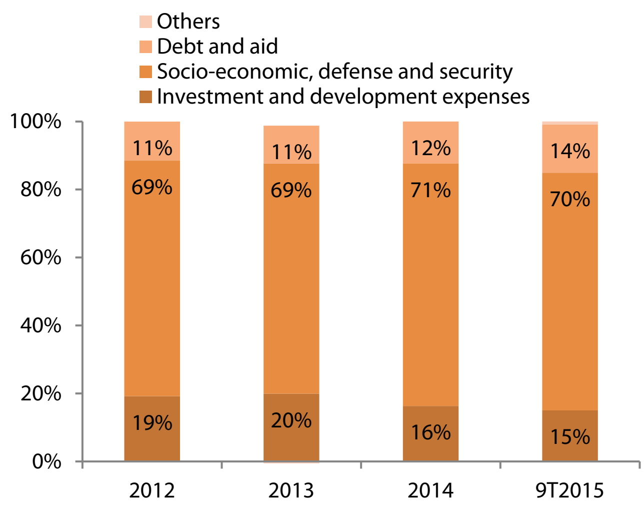
According to GSO, private and foreign investment continued to record positive growth over the first 9 months of 2015, equivalent to 9.2% and 10.6% y.o.y respectively. However, investment growth rate of public sector has the decline trend over the years. Remarkably, capital expenditure for development in the government budget only achieved VND 116,600 billion, decreased by 8.4% y.o.y and equivalent to 59.8% of the yearly plan after 9 months. As a result, the difficulty in budget starts to negatively impact on public investment.

Figure 12: Investment growth



Sources: GSO, RongViet Research

Figure 13: Government budget expenditure



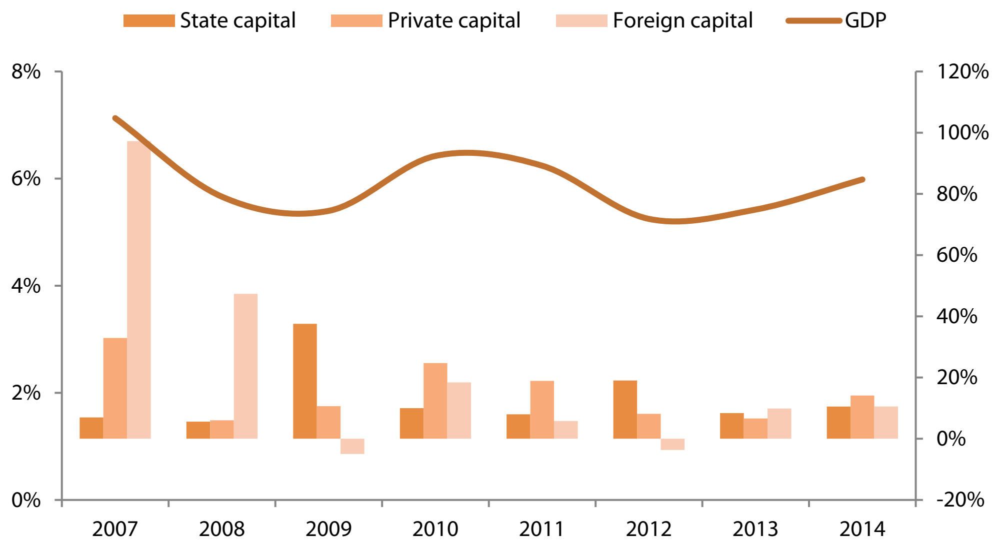
Sources: GSO, RongViet Research

It could be said that public investment could be the important factor for Vietnam economic growth. During the recession phase (2009 & 2012), policy makers usually implement loosen fiscal policies for stimulating economic growth. However, at this moment, the budget is facing challenges such as the decline in revenue due to low crude oil prices, difficulties in issuing government bonds, the increase in debt payment, high public debt ratio… Those issues limit the expenditure capacity from the government.

In theory, Government investment could typically have spillover effects to consumption demand and development of other economic sectors. Therefore, we believe that these changes could be the factors that restrain Vietnam's development over the next few years.

In addition, Vietnam is under the innovation and infrastructure development phase and the capital demand for the period of 2016 – 2020 for transportation could be approximately VND 1,015 trillion but the budget could only meet 7% of total demand. Other mobilizing channels such as ODA, extra-budgetary funding through PPPs, loans from large credit institutions or raising through government bonds…facing "bottleneck" challenges such as (1) ODA becomes more scarce because Vietnam has been classified as a country with average income; (2) completing the legal framework for PPP investments; (3) the pressure from public debt and debt payment; (4) the ability to borrow with higher interest rate… If these issues could not be solved, economic growth has to be slowed down over the next few years.

Figure 14: Investment and GDP growth

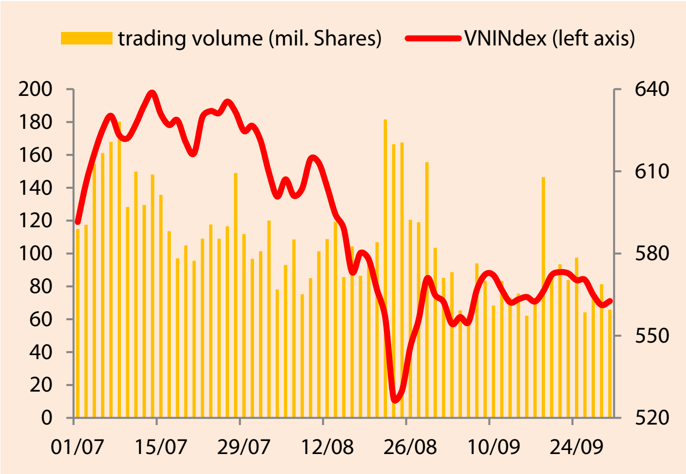


Sources: GSO, RongViet Research

THE STOCK MARKET IN SEPTEMBER: DECELERATING AFTER A SLUMP FROM A PEAK

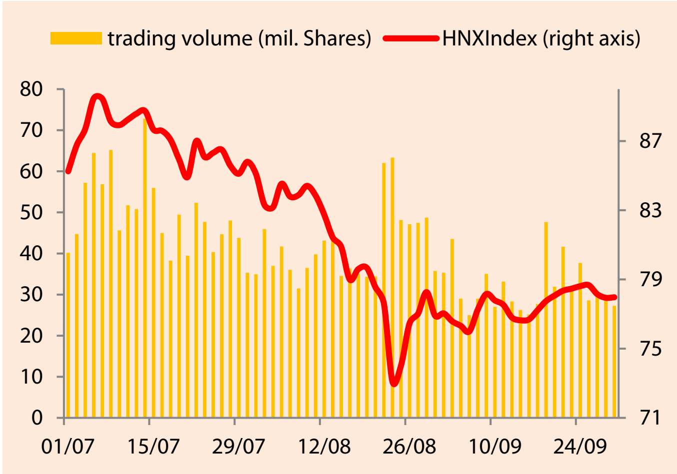
After sudden decline in 8/2015, September experienced continuous gloomy trading sessions in term of liquidity and side-way price level. Even though both stock exchanges closed in two different colors (HSX: -0.4%; HNX:+1.4%), the general trend was narrow price range with VNIndex and HNXIndex respectively at: 544-574 and 75-79. Simultanously, liquidity in both exchanges was relatively low. The total average trading volume in September only achieved 113 million shares, lower than August average and yearly average by 27% and 22%, respectively. Because the markets showed unclear trend, therefore, the decrease in liquidity could result from the unanticipated decrease in margin cash flow.

Figure 15: VNIndex movement



Source: RongViet Research

Figure 16: HNIndex movement



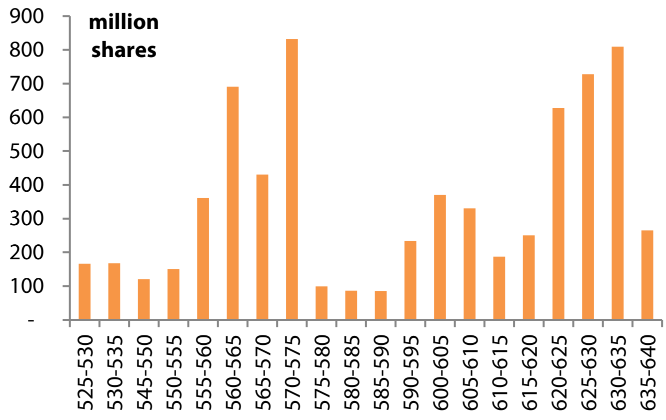
Source: RongViet Research

Low liquidity with positive domestic demand helped the market to maintain the price level and avoid significant decrease under the foreign selling pressure. In September, foreign investors were in net-selling position with over VND 1,000 billion with the stability in indices, VND 70 billion higher than March. Meanwhile, March with significant pressure of VND 1,000 billion net-selling from foreign investors created negative sentiment into domestic demand and pull the stock prices down, VNIndex declined by 8%. As a consequence, the domestic sentiment to reduce selling pressure with low price levels facing significant foreign selling pressure could be the optimistic aspect for stock exchanges without supporting information. The reason is that domestic investors have been the major market participant, with the ratio between domestic and foreign investors at 92:8.

The market does not face high selling pressure of recent buying (within 3 months) but may strong selling pressure of buyers holding stocks over 3 month, especially stocks purchased in mid of May to end of June. In recent 3 months, investors in September accumulated actively over 75% stocks in range of 560-575 so the remaining stocks at that price range is not sufficiently large to push pressure on market. However, when market reaches 590, it may face strong selling pressure of stocks accumulated in July and August, with over 55% volume of Q3 traded in that range (>590).

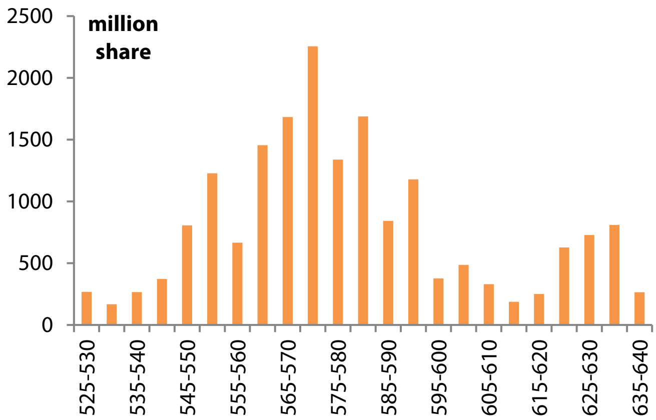
Otherwise, in long-term perpective, in range 560-595, investors have accumulated stocks highly, accounting for over 57% of 2015's total volume, focusing in mid of May to end of June. Therefore, in considering short and long term perspective, we think that market will be under pressure of investors who bought stocks over 3 month ago, especially investors bidding in May and June.

Figure 17: Volume at multiple prices in third Quarter



Source: RongViet Research

Figure 18: YTD volume at multiple prices



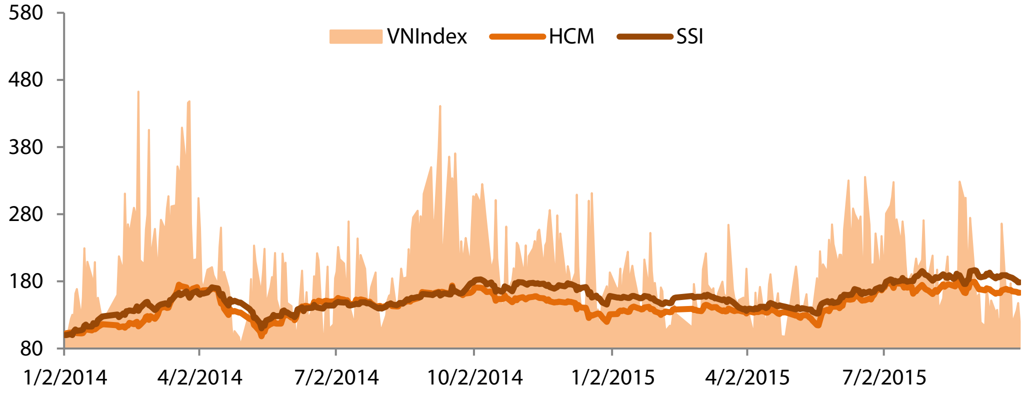
Source: RongViet Research

Stock exchanges had not obvious leading segments; however, mid and small caps have optimistic improvements. Majority of market indices decreased (VNIndex: -0.4%, VN30Index: -1%), but VNMid experienced a month of optimistic increase with over 1.8%. However, due to the low market capitalization, the impact on VNIndex remained weak, with the estimation of contribution on VNindex only at 12.5%.

Meanwhile, large cap stocks experienced low volatility, except oil & gas and financial services. In 18 sectors from Rongviet Research, there were only 7/18 sectos with negative growth. Majority of the sectors only slightly dropped by under 1%, expect oil & gas (-5.1%) and financial service (-6.5%). *Oil & gas industry* decrease concentrated into the early 2 sessions of September (declined by 5.8%) due to the sharp drop in global crude oil price, Brent decreased by 6.7%. If we excluded those sessions, Oil & Gas sector was only in side-way position with low fluctuation, even with slight increase 0.6%.

Financial services, focusing on several brokerage companies, dramatically dropped by 6.5%. The reasons could come from the weakening in exchanges' liquidity because securities stocks in term of brokerage segment have high correlation with market liquidity. Correlations of SSI and HCM with markets' liquidity are at 0.25 and 0.33 respectively. In addition, the part of the reason could come from the selling pressure for profit taking. Because over the last 3 months, investors have actively bought in this segment with the information of 100% room expansion. Therefore, strong domestic demand pushed up the prices of financial service stocks, with SSI (+40%) and (HCM +60%). Even though there is room expansion information, according to our estimation, foreign investors have not accumulated high amount of this sector with the percentage of foreign ownership of those stocks at the 6% and 0% increase regarding SSI and HCM in Q3 respectively.

Figure 19: Correlation between market volume and price movement of HCM and SSI



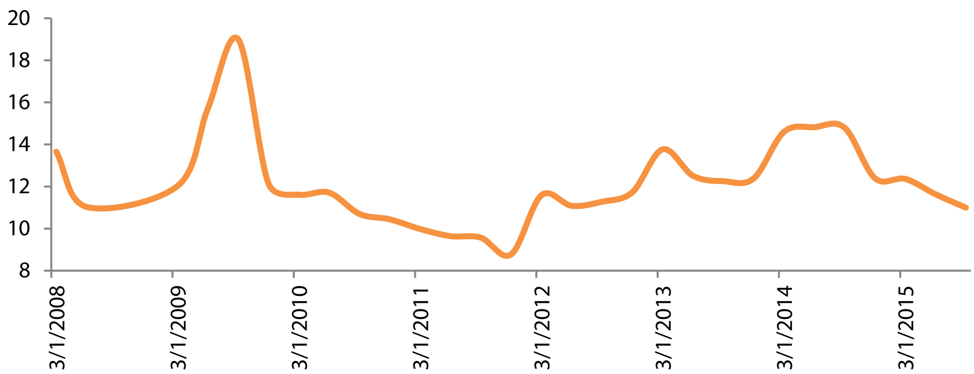
Source: RongViet Research

Banking sector, the largest market capital sector, is braking decline. After a drop over 13% in recent 2 month, banking sector in September lowered it decreasing pace and even witnessed a slight increase of 1.9%. Liquidity remained low, with order matching volume in September at 30% lower than YTD average. However, price movement of leading stocks was quite positive, such as VCB (+1.0%), MBB (+9.5%), ACB (+6.0%),… That active price movement is more likely due to less volume supplied in lower price level than due to higher demand of banking stocks

Besides, another large capital sector having positive price growth was building and construction materials, typically: CTD (+1.5%), HBC (+9.0%), BCC (+4.8%),….

In general, market is traded at low PE comparing to its history. In historical data, current PE of VNIndex is so low, only higher 10% than average of 2011, the last year of previous long term downturn trend. However, large capital stocks stayed at high PE. In survey of 15 leading capital stocks, accounting for 70% market capital of VNIndex, we realize that those stocks were traded at high PE, with capitalization-weighted PE at 18x.

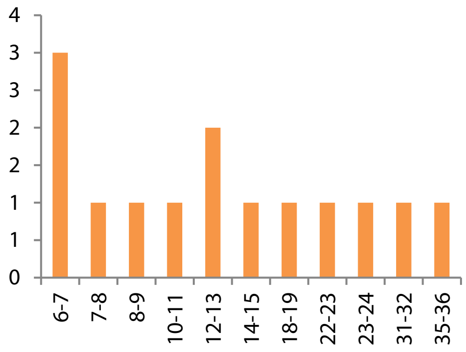
Figure 20: Historical trailing PE of VNIndex



Source: Bloomberg

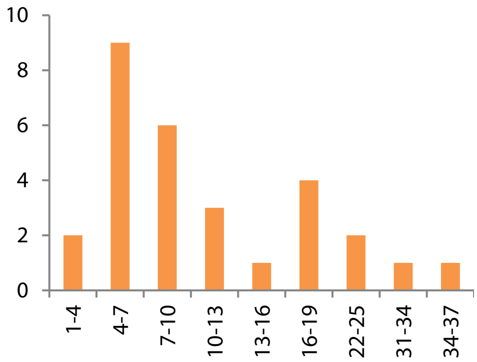
However, VN30 porfolio still includudes 17/30 tickers having PE lower 10x. Meanwhile, VNMid portfolio also has over 40% stocks having PE under 10x. Therefore, with above statistics on market PE in end of September, we believe that there are several stocks in VN30 and VNMid having reasonable PE for low PE investment style.

Figure 21: Distribution of PE of 15 stocks accounting for 70% market capital



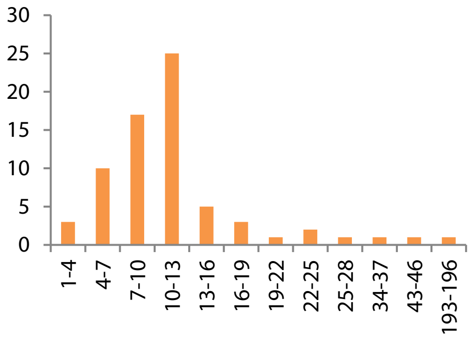
Source: Bloomberg, RongViet Research

Figure 22: Distribution of PE of stocks in VN30 portfolio



Source: Bloomberg, RongViet Research

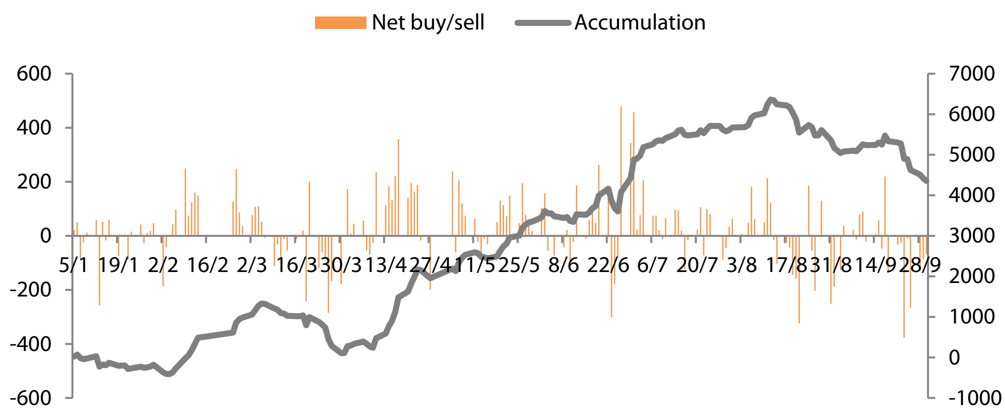
Figure 23: Distribution of PE of stocks in VNMid portfolio



Source: Bloomberg, RongViet Research

Foreign investors: highest YTD net selling value

Figure 24: Foreign investors net buying/selling value



Source: Bloomberg, RongViet Research

In September, foreign investors turned net sellers to the tune of more than VND1,000 billion, the highest YTD value in 2015. In HCM, foreigners net sold VND912 billion, among of which MSN (-VND491 billion), BCI (-VND382 billion) and VIC (-VND357 billion) were on top list. On the other side, NT2 was the top net buying stock at VND375 billion thanks to its first time entering ETF VNM portfolio. BID was a noticeable case in September as it was mistakenly added to portfolios of 2 ETFs because of incorrect free-float provided by Bloomberg. Viewing all the constituents of ETFs, we see BID has yet deleted from the list. Hence, there is a high chance that BID shall be removed in the next reconstitution at the end of 2015. In Hanoi, foreigners also net sold VND88 billion. VCG and PVS were top sold at VND90 billion and VND41 billion consecutively. CEO kept its position as the number one bought by foreign investors at VND31.3 billion.

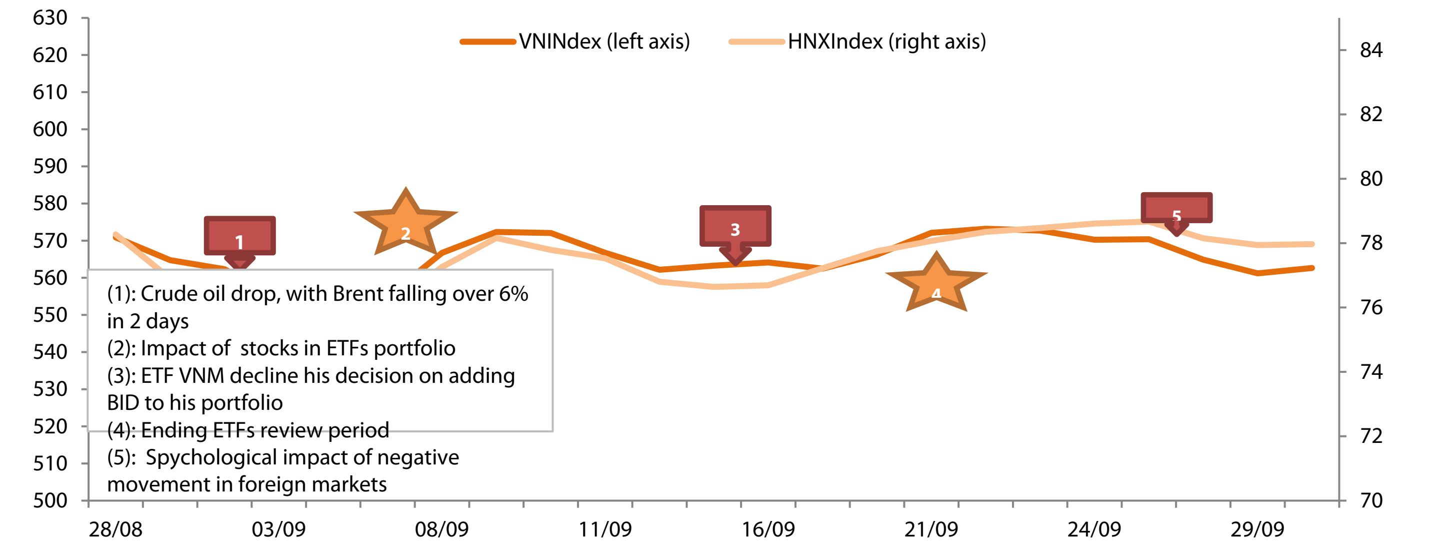
Vietnam CDS 5-year tenor surged to around 300 pts after having stable for 6 months. It seems that concerns about risks of Vietnam market have increased rapidly causing foreigners sold out Vietnam's stocks recently. 5-year tenor CDS in other countries in South East Asia like Thailand, Philippines, Malaysia and Indonesia was also increasing sharply from July to September.

Figure 25: Asean countries CDS

Source: Bloomberg, RongViet Research

So, is it a big concern of net selling foreign investors? In the last days of September, total selling value of foreigners had a downward tendency from VND376 billion (on 23/09) to VND67 billion (on 30/09). Though strong sale in September from foreigners, markets were quite flat. Hence, we could tell that there was great effort from domestic buyers to enter a tug-of-war with foreigners. From other perspectives, foreigners tended to sell for only 3-5 months per annum during 2012 – 2014 period. From the beginning till now, there were 4 months (Jan, March, Aug and Sep) when foreigners turned net sellers, very close to the upper limit 5 months discovered in history. Moreover, the accumulation net buying/selling value from these participants has dropped dramatically 47.56% from the highest record VND6,430 billion on 12/08/2015. Last but not least, CDS has slightly dropped from around 300 pts in the end of September to 292 pts on 05/10/2015. Taking into account all above arguments, we think that trading activities of foreign participants will be more balance: it could be minor net sale or even net purchasing. Besides, to answer the above question, we calculated net foreign capital ratio and saw a stable proportion fluctuating between 11% (2014) and 15% (2012 and 2013). In brief, foreigners' capital contributes a relative low part to total trading value in Vietnam stock market. In other words, as we have analyzed above in "Vietnam Stock Market section", domestic investors are truly having an important, dominant role in current market.

Figure 26: Event chart in September



Source: Rongviet Research

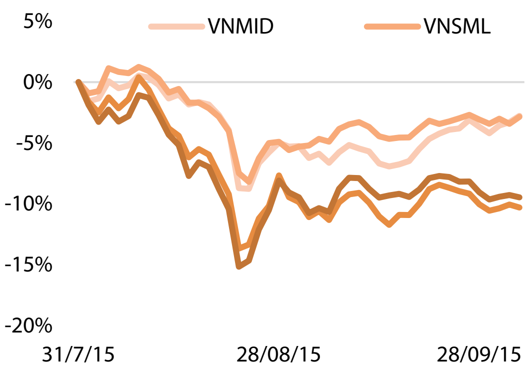
OCTOBER STOCK MARKET OUTLOOK

Stocks traded slowly in the September stock market in front of much skeptism from both local and foreign investors. The FED's decision to hold USD rates clearly had a negative impact on the confidence of worldwide investors. In the local market, the absence of a Circular on the much-expected FOL extension also caused much disappointment. As the result, trading volume in the Vietnamese stock market dropped 27% from August and was 22% lower than the nine-month average figure. Constantly ridding themselves of VN30 large-caps, such as MSN, VIC, HSG, VCB…. foreigners sold in September a net VND989 billion of Vietnamese stocks, the largest one-month net sales figure so far this this year.

From our view, the performance of big stocks and therefore Vietnam's stocks indices will continue to suffer from the actions of investors abroad in the upcoming months. The uncertainty over the FED timing of the rate hike plus a slowing Chinese economy have increased the perception of the probability of tail risks for frontier and emerging markets and urged worldwide funds to reduce allocations to risky assets there. A recent report by the Institution of International Finance indicated that over USD40 billion of capital flowed out of 30 emergings market in the quarter ending September. Following FED Chairwoman Yellen's speech after the FOMC September meeting, the probability of a rate hike December and January have been adjusted upward by a wide margin. These statistics suggest that the outflows of foreign capital fromVietnam's stock market may have yet to cease, at least until the end of the year.

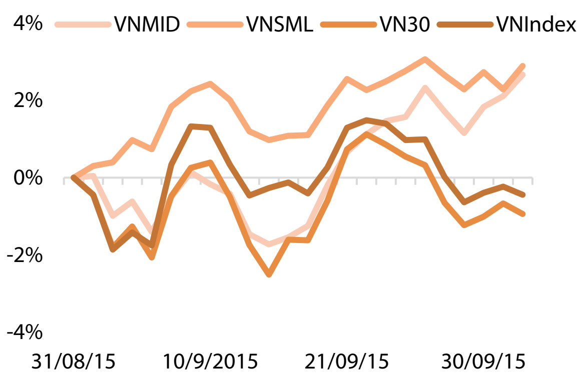
On the contrary, comforted by upbeat macro data, local investors were seen in late September to be more confident in taking risks in mid and small-caps, especially those in sectors expected to benefit greatly for the TPP. While large stocks dragged VNIndex to the downside, VNMidcap and VNSmallcap added 2% and 3% respectively in September. We are convinced that the results of the last TPP meeting in 2015 in Atlanta will stir trading in these stocks and later the enthusiasm in the market. Nonetheless, these issues may not have much influence on the October trend of the major indices. We favor a scenario that the market will see much "green" but will be little improved in term of index gains this month.

Figure 27: 3-month performance of market-cap-based indices



Source: RongViet Research

Figure 28: 1-month performance of market-cap-based indices



Source: RongViet Research

VNIndex is expected to move between **560** and **597** and HNIndex **77** and **83** in October.

As we will elaborate in the below, better-than-expected nine-month growth data for GDP, consumption, trade and investment has put Vietnam in a brighter economic position than other countries in the region. With the TPP, the nation's growth prospect may be even more optimistic. At a trailing P/E ratio of 12.3, the stock market of Vietnam seems cheaper than a great many markets across Asia. In the long-term, when the emerging-to-developed flight of funds stops, these factors should draw attention back to Vietnamese equities.

For actions in October, investors can take advantage of the growing trend of mid and small-caps to seek profits in the first 1-2 weeks of the month. However, as the month grows old, continued withdrawal of foreign funds may open a opportunities to accumulate the stocks of large companies with stable businesses, positive long-term growth prospect but have been hurt by the pessimism of overseas investors.

For a holding period of 3 to 6 months, investors can select stocks and industries with expectation of optimistic H2 earnings. In this tactic, we favor stocks of automobile and electronics retailers, pharmaceutical companies and consumer goods producers. These are businessed who peak season fall the later months of the year when the demand is high and consumers go shopping for big holidays.

As a rule, Vietnamese constructors often settle contracts and book most of their revenue in the last quarter of the year. Given strong growth in construction industry value since the beginning of the year, there are reasons to look for positive year-over-year growth in constructors' earnings in Q4.

On the other hand, manufacturers often increase imports of raw materials during the third quarter and export finished good from October to December. This is a strong support to the business performance of sea port operators and logistics firms in the second half of the year.

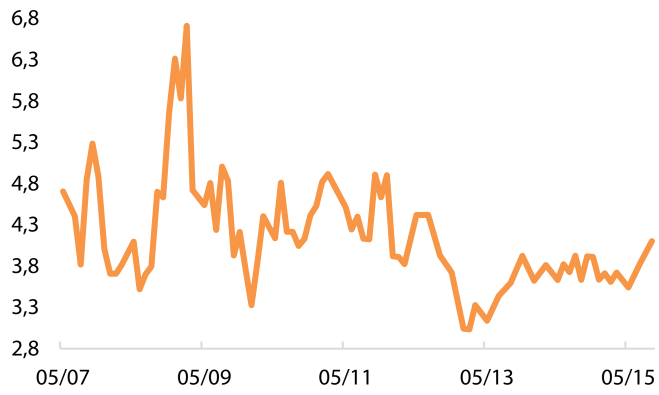
On top of postive growth in export orders, a satisfactory outcome of the TPP meeting in Atlanta should give a boost to the stocks of textile-garment and seafood producers.

The pessimism of foreigners is the opportunity for local investors

The FED's decision not raising USD interest rates in September did not help much to reverse the withdrawal of funds from emerging and frontiers market. In fact, the absence of a defined timeline of the FED rate hike only added more uncertainties while increasing the perception of risks for emerging market. Along with troubles from China economy, this has urged investment funds worldwide to cut allocations to risky assets in these markets. According to a research by JP Morgan, the cash levels in emerging market funds dropped to 4.1%, the lowest in the past 3 years by the end of September. The Institute of International Finance – IIF said in its September global fund flows report that more than USD40 billion fled from 30 emerging markets. In addition, Standard Chartered Bank further confirmed that rend in a similar report last week saying more than USD60.4 billion worth of investment fund having been repatriated from emerging equity market through September this year, far higher than previous year's corresponding figure of USD1.5 billion

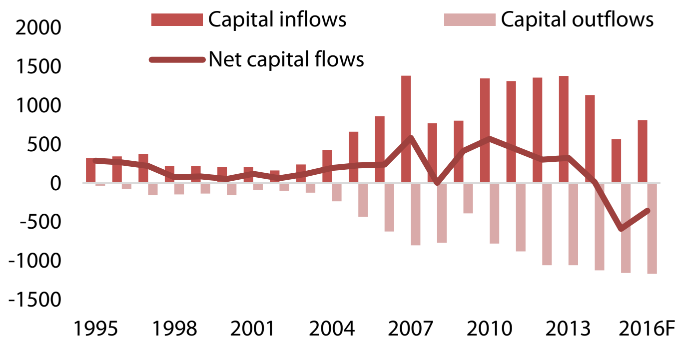
Given the FED action from September meeting, the possibility of the first time FED's rate hike this year does remain likely with overseas captial redemption activity continued at least to December. Bloomberg's computed probalility of the FED hiking rate in December increased by 3 percentage points from 42% prior to the FOMC meeting in September. Similarly, that probability for January is 50%. IFF forecasted indirect investment fund to emerging market would possibly fall by a half compared to 2014 figure before rachet up back-on-back by 41% in 2016. So, all this could imply is foreign investors' outlook for frontier and emerging markets does look negative cominng into Q3.

Figure 29: Cash levels in emerging market funds



Source: JP Morgan, RongViet Research

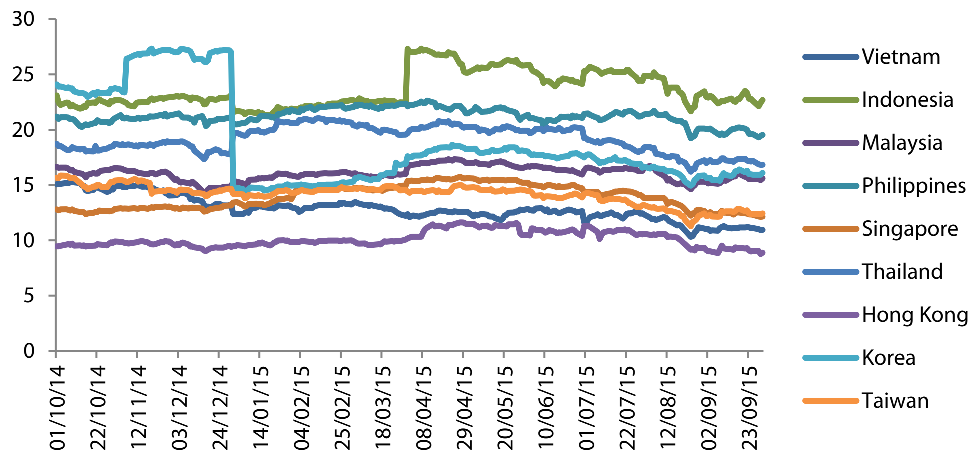
Figure 30: Capital flows in emerging markets



Source: IIF, RongViet Research

In term of Vietnam, VNIndex P/E is currently equivalent to the 2011 average. Of excluding the effects from oil & gas industry (PVD, GAS, PXS, PGD, PXT), market P/E could be only at 11.6, 5.7% higher than the figure without adjustment. In addition, we recognized that 15 industries that contribute 70% of VNIndex capitalization have been traded with P/E significantly higher than the average at18x. Average P/E of VN30 at the end of September was 13.8x. Despite of net-selling over a month, several large stocks such as VIC, MSN, KDC and VCB…maintained the positive price level or slightly declined. We believe that it was resulted from the positive macro data over the first 9 months of 2015.

Figure 31: P/E ratios of Vietnam and other Asian markets



Source: Bloomberg, RongViet Research

Among the groups with P/E that were lower than 3 year average, we assessed PVT, GMD, KBC, HHS, HSG and HPD could have positive business prospects in intermediate and long-term due to (1) high market shares/production capacity in industries and (2) the overall improvement in demand and industries' factors. As analyzing above, pessimistic sentiment that gradually improves could be the factor pulls those stocks down. Consequently, it could be the opportunity for long-term investors to accumulate blue-chips which have been significantly discounted comparing to the past.

Table 5: VN30 price performance and relative valuations

Ticker	Price performance*			ROEA (%)	Trailing P/E (x)			P/B (x)		
	30-day (%)	60-day (%)	YTD (%)		P/E 02/10/15	P/E 31/12/15	P/E 3y Average	P/B 31/12/14	P/B 02/10/15	P/B 3y Average
BVH	-2.1	-20.7	43.8	11.4	23.1	17.0	21.9	2.6	1.8	2.2
CII	-13.3	-17.4	12.3	30.2	5.0	6.1	10.2	1.4	1.4	1.3
CSM	-0.7	-21.0	-24.5	25.4	6.8	8.7	6.8	1.6	2.1	1.8
CTG	3.7	-12.6	41.3	10.6	12.7	9.0	8.7	1.3	0.9	1.1
DPM	-1.9	5.3	2.6	13.6	9.9	10.7	6.9	1.4	1.3	1.3
EIB	2.6	-15.0	-7.0	-0.1	n/a	282.6	49.8	1.0	1.1	1.1
FLC	-7.4	-25.0	-30.6	13.4	4.7	7.3	7.3	0.6	0.9	0.7
FPT	-1.3	-4.3	6.9	21.4	10.3	10.1	8.5	2.1	2.1	1.9
GMD	-0.3	5.8	19.0	5.0	16.4	5.3	20.7	0.8	0.7	0.7
HAG	-3.2	-18.6	-32.6	11.8	7.1	11.9	19.4	0.8	1.2	1.2
HCM	-7.7	-8.4	15.4	11.5	17.6	10.6	10.7	2.1	1.7	1.4
HHS	14.1	-3.0	31.2	43.5	3.3	7.1	9.1	1.5	1.3	1.7
HPG	2.3	6.9	-12.5	27.1	7.0	8.1	8.5	1.7	2.2	1.7
HSG	-0.5	-3.4	-10.9	24.3	6.7	10.6	7.9	1.6	1.9	1.6
HVG	-1.2	-18.2	-21.3	10.3	10.6	10.0	11.2	1.2	1.5	1.2
ITA	-7.3	-23.9	-36.3	2.5	18.5	35.3	95.1	0.5	0.7	0.6
KBC	-3.1	-23.6	-22.6	9.0	9.2	17.3	19.2	0.8	1.2	0.8
KDC	-5.4	-46.3	-50.7	65.1	1.0	22.6	10.0	0.5	2.0	1.0
MBB	4.9	-4.6	18.7	15.6	7.3	6.1	5.5	1.1	0.9	0.9
MSN	-10.8	-14.9	-10.8	12.0	31.1	57.4	79.8	3.5	4.1	4.5
PPC	-1.6	-15.8	-29.5	23.6	4.7	8.0	6.8	1.1	1.5	1.2
PVD	3.0	-29.3	-39.2	17.5	6.3	8.0	7.7	0.9	1.7	1.6
PVT	-4.6	-24.3	-26.4	10.8	7.6	10.6	11.4	0.8	1.1	0.9
REE	-7.4	-10.1	-11.3	18.2	6.6	7.0	6.9	1.1	1.3	1.2
SSI	-6.8	-1.8	11.4	12.8	14.7	13.0	14.2	1.8	1.7	1.4
STB	-1.2	-16.8	-8.9	11.8	8.8	9.3	12.7	1.0	1.1	1.2
VCB	1.4	-18.1	34.8	10.7	22.7	17.1	16.3	2.5	2.0	1.7
VIC	3.7	-6.1	9.7	9.9	35.8	19.3	23.2	3.2	3.2	4.1
VNM	-1.0	4.3	25.7	32.7	18.8	17.5	16.5	5.7	4.9	5.5
VSH	2.1	5.9	6.7	16.5	6.5	7.4	10.3	1.1	0.9	1.0

Source: RongViet Research

Table 6: Key sector particulars

No.	Sector	Price performance* 1M (%)	Price performance* 3M (%)	Price performance* 6M (%)	Profitability ROE (%)	Profitability ROA (%)	Growth +/- Rev. 2Q15 (%)	Growth +/- NPAT 2Q15 (%)	Valuation* P/E	Valuation* P/B
1	General Retailers	2,0	-2,0	-11,9	17,6	6,3	17,5	175,7	8,6	1,2
2	Nonlife Insurance	-0,1	15,5	39,1	8,7	2,6	20,1	35,6	20,2	2,1
3	General Industrials	59,2	59,9	170,7	19,1	4,6	58,1	322,8	7,3	1,9
4	Industrial Engineering	-4,9	-4,2	-8,3	12,0	4,9	20,8	81,0	20,9	1,8
5	Real Estate Investment & Services	0,8	-5,3	3,2	5,3	2,1	-5,6	-23,2	30,0	1,9
6	Support Services	-1,7	6,7	17,6	9,0	3,8	17,0	26,3	13,3	1,1
7	Financial Services	-6,2	-2,2	14,2	8,0	4,8	32,0	56,0	16,1	1,5
8	Oil Equipment, Services & Distribution	-2,1	-17,4	-21,8	8,8	3,9	-14,1	-4,4	5,7	1,0
9	Travel & Leisure	0,2	-1,7	-5,5	24,4	12,0	6,1	179,2	6,6	1,4
10	Pharmaceuticals & Biotechnology	-3,7	2,6	6,9	17,2	11,0	-7,6	-30,6	16,9	2,8
11	Electricity	6,2	6,6	-0,7	11,7	6,1	9,8	28,5	10,7	2,3
12	Beverages	-1,4	-2,6	-11,6	17,8	7,7	2,4	-0,9	10,4	2,0
13	Gas, Water & Multiutilities	-1,3	2,8	13,4	10,8	4,8	-24,1	-11,6	24,9	1,7
14	Household Goods & Home Construction	11,6	21,4	41,9	16,5	7,6	19,5	87,5	9,0	1,7
15	Aerospace & Defense	0,4	2,3	7,0	16,5	7,2	-48,4	-34,1	11,2	1,9
16	Chemicals	0,5	2,6	32,8	13,6	8,2	68,4	63,0	7,6	1,2
17	Industrial Metals & Mining	-0,9	-2,6	-6,8	5,6	2,2	9,1	205,9	3,8	6,2
18	Mining	0,9	-11,4	-23,3	0,1	0,0	-0,5	-261,7	4,4	0,6
19	Forestry & Paper	8,8	12,6	52,2	12,5	7,6	2,1	836,0	6,6	1,1
20	Banks	1,9	0,0	44,4	10,4	0,8	4,6	4,5	15,4	1,9
21	Software & Computer Services	1,9	-1,6	29,7	15,9	7,2	11,4	10,1	10,2	1,7
22	Oil & Gas Producers	-6,2	-25,2	-31,8	30,9	23,3	-13,7	-17,5	6,7	2,2
23	Electronic & Electrical Equipment	-5,6	-13,7	-17,2	16,9	7,0	20,9	47,2	11,6	2,8
24	Health Care Equipment & Services	-5,8	-35,7	-67,8	11,7	6,8	-50,9	-77,5	9,7	2,0
25	Tobacco	-0,2	4,9	9,6	20,9	10,2	22,0	239,4	15,6	4,1
26	Food Producers	13,5	21,0	26,5	16,7	5,8	24,1	-4,2	8,6	1,4
27	Technology Hardware & Equipment	1,8	-62,5	-55,0	9,0	4,0	71,7	59,1	12,0	1,0
28	Media	10,5	20,2	29,2	12,3	6,2	39,6	33,7	10,3	1,2
29	Industrial Transportation	3,8	6,1	20,6	12,7	6,6	20,9	-9,5	9,8	2,0
30	Personal Goods	1,7	-5,5	6,1	18,8	7,2	-12,4	-13,7	13,2	2,1
31	Fixed Line Telecommunications	-14,3	-18,2	-9,8	6,6	5,2	-48,4	-317,1	3,2	0,2

Source: RongViet Research
**Trailing, as of 02/10/2015*

OCTOBER INVESTMENT STRATERGY

We favored the scenario of slow pace in both stock exchanges with slight improvement in liquidity and indices this month. Information risk could be at low level but the pessimism of foreign investors could raise the concern in domestic sentiment. As a result, the recovery in index points could be limited. Under this trend, long-term investors could accumulate blue-chips that have been discounted during the net-selling period from foreign investors.

Regarding short-term investors, the selection of stocks base on (1) having high business results or sale volume over the Q3 and Q4 or (2) benefiting from TPP could bring the opportunities in October. However, it could be noted that "waves" from mid and small-caps could not prolong. Even though positive trend might continue in short-run, investors should cautiously observe and determine the appropriate the breakpoints if investing in such stocks.

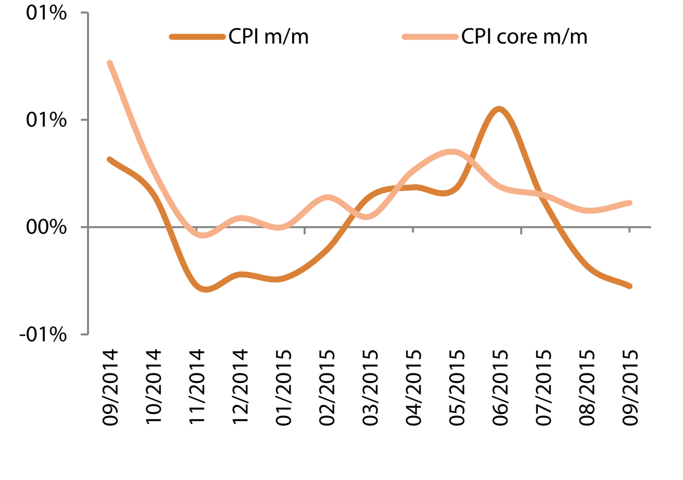
The table below is the survey about business prospects in Q3 and the seasonal characteristic in 2H2015 of several industries. Particularly, healthcare, retails (automobiles and electronic devices) and fast moving consumer goods could benefit from the increase in domestic demand over the next months which are close to Tet holiday. Similarly, sale volume and business results from textile and fishery industries such as TCM, TNG, FMC and VHC could receive supports from exporting orders into developed markets during the holiday season.

Due to the specific revenue recognition, companies in construction industry such as FCN, HUT and LCG usually have the highest business results in Q4. Meanwhile, several real estate companies such as BCI, VPH and ITC are expected to record extraordinary income from project transfers during 2H2015.

- Textile-garment: TCM, STK
- Real estate: BCI, KDH, NBB, LHG and VPH
- Construction: LCG, HUT, FCN
- Building materials: DNP, BMP, HT1
- Transport: GSP, PVT, GMD
- Oil & Gas: PLC, PGS, PVG, PVS
- Utilities: NT2, PPC, CHP, SHP
- Retail: SVC, PET
- Others: SKG, DHC, BMI, VSC, FPT

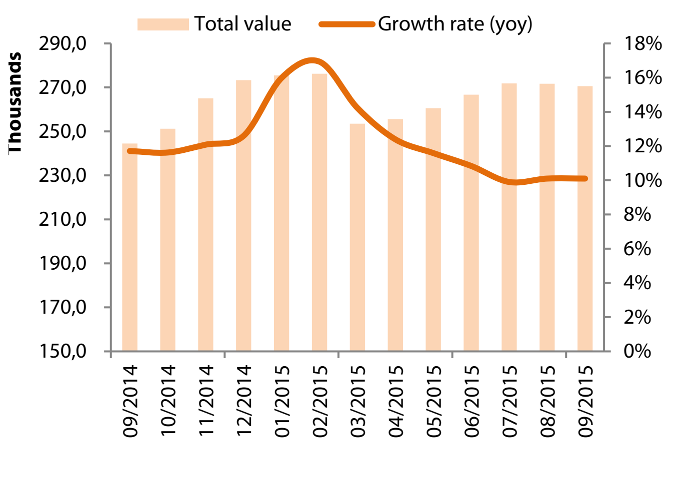
SEPTEMBER MACRO WATCH

The second negative growth in CPI



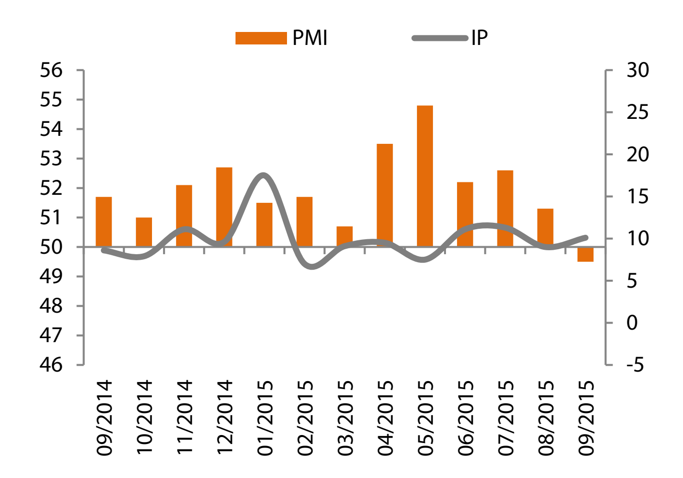
Sources: GSO. Rongviet Securities database

Retail Sales improved slightly



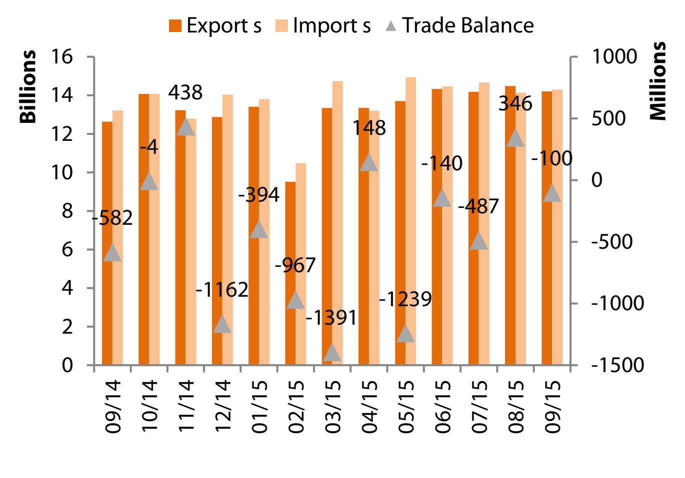
Sources: GSO. Rongviet Securities database

IIP saw a stagnation



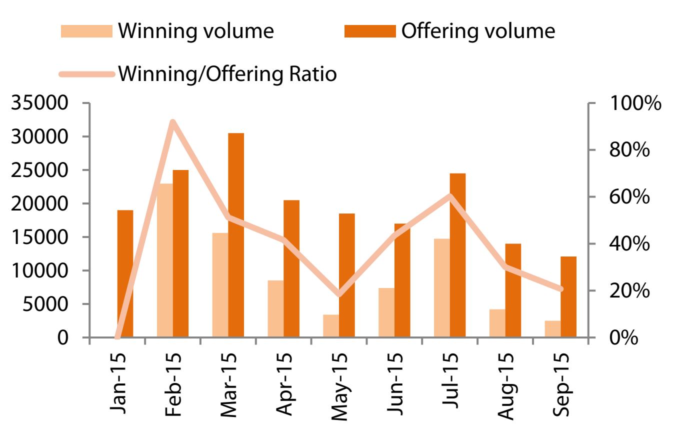
Sources: GSO, Rongviet Securities database

Small trade deficit in Sep



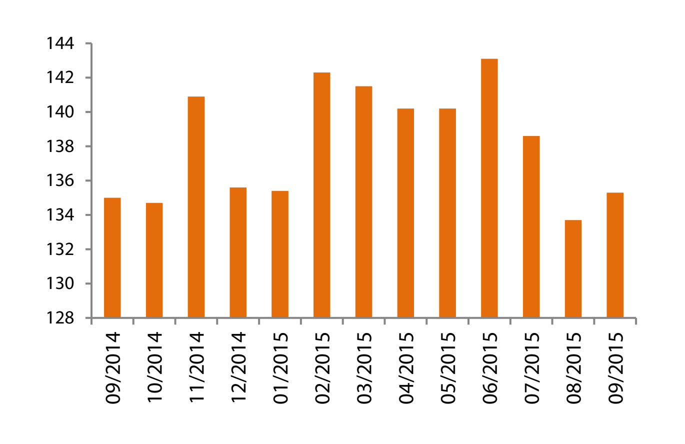
Sources: GSO, Rongviet Securities database

Low winning/offering ratio in bond market



Sources: VBMA, Rongviet Securities database

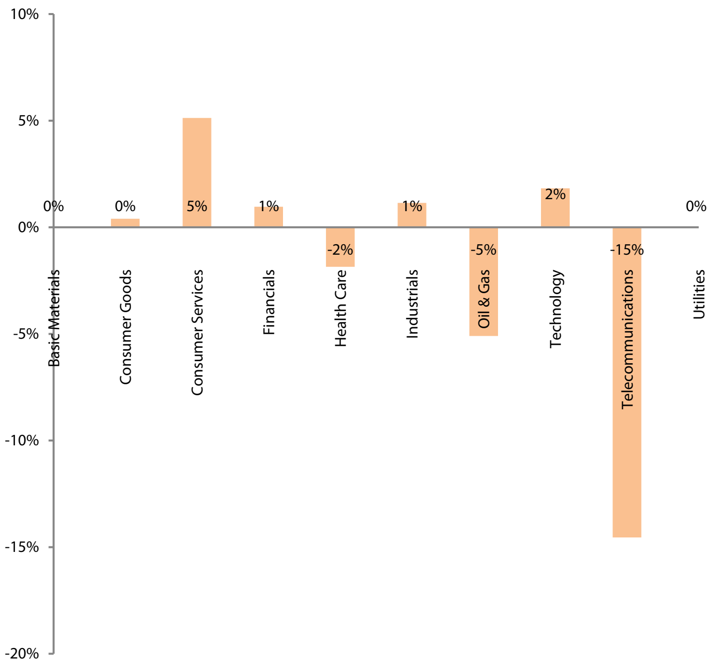
Consumer confidence edged slightly



Sources: ANZ. Rongviet Securities database

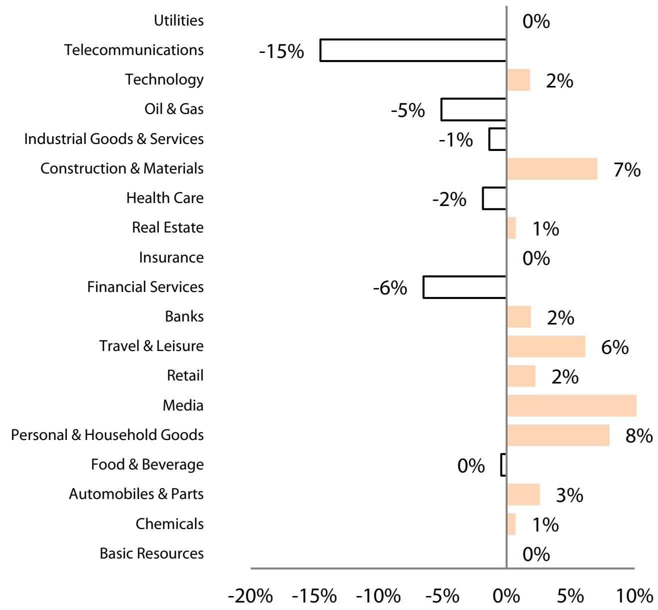
INDUSTRY INDEX

Level 1 industry movement



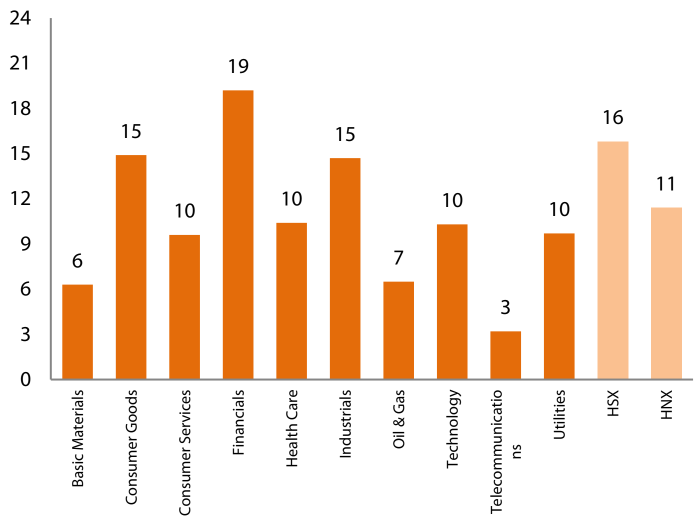
Source: RongViet Research

Level 2 industry movement



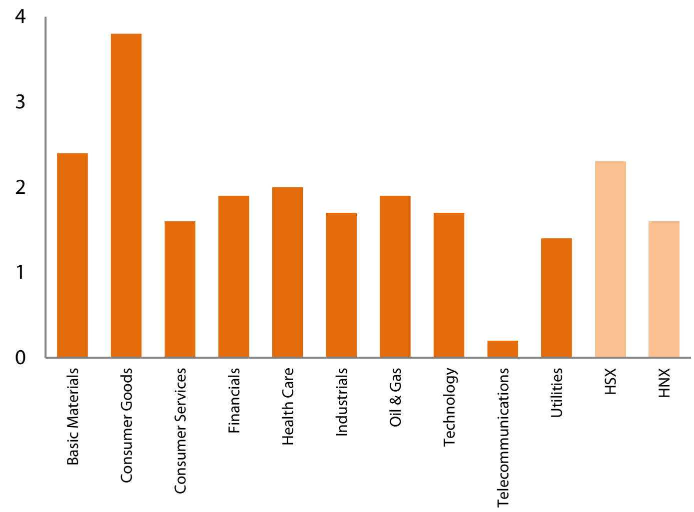
Source: RongViet Research

Industry PE comparison



Source: RongViet Research

Industry PB comparison



Source: RongViet Research

APPENDIX: INDUSTRY SEASONALITY AND Q3 BUSINESS OUTLOOK SURVEY

No.	Industry	Seasonality		Q3 business outlook		Note
		Q3	Q4	Revenue	NPAT	
1	Textile – Garment	+	+	+	+	- Textile and garment exports usually improve during the last quarter thanks to the higher demand in major markets such as US, Japan, Korea, Western Europe ahead of the holiday season.
2	Automobile & parts – Rubber tires	-	+			- Radial tire consumption is expected to increase over the next few months due to the positive domestic demand of automobiles and motor vehicles.
3	Automobile retails	+	+	+	+	- The demand for cars over the last two quarters is usually higher than the first 2 quarters..
4	Packages	+	+	+		- Demand for packages can increase along with the acceleration of production to meet the domestic consumption and export demand before big holidays.
5	Construction	-	+			- Construction speeds up in Q4 after slowing greatly during the rainy season, - Q4 is also the peak period where construction companies settle and recognize the revenue/profits from projects.
6	Building materials	-	+			- The demand for building materials could be less optimistic Q3 due to the rainy season;. - The exchange rate losses in Q3 could affect the profit after tax of several cement and steel businesses. - Consumption and sales of building materials could improve in Q4 as construction speeds up.
7	Consumer goods	+	+	+	+	- Seasonality has little effect on the industry; therefore, earnings are expected to no significant improvement. - Prices of major raw materials as nickel, lead, Zinc... are on a decline trend and could create a slight increase in Q3 earnings.
8	Electronics retails		+	+	+	- Q3 is not the peak of electronics consumption but business performance of retail is often better than in Q2, - Demand for smart phones, mobile phones and electronic equipment usually increase in the last quarter.
9	Banking		+			- In Q4, industrial production and consumption is expected to improve positively and support banks credit and service segments.
10	Real estate		+			- Many real estate companies have extraordinary income from the disposal/transfer of projects that may be recorded in Q3 and Q4.
11	Non-life Insurance					- Business results may be little improve in 2H2015. - Low interest rate level could affect investment performance of businesses.
12	Food & beverages	+	+			- Demand usually increases in the last two quarters, especially during Q4, thanks to Tet holiday. - The decline trend of raw materials has continued but the benefit could not be as great as last year.
13	Travel & Recreation	-	-			- Q3 and Q4 are off-peak periods in tourism activities; as a result, business results could not as high as in the first 6 months.

14	Utilities - Electricity	+	+			- Q3 is the peak season for hydropower companies and the trough period for power plants. However, due to the high level of water, electricity prices are usually at low level, affecting the business results of hydropower plants. - Electricity demand in Q4 is usually at high level and large hydroelectric reservoirs begin to store water; therefore, hydropower production is relatively limited and electricity prices tend to increase, improve the business results of plants.
15	Steel	-	+	-	-	- Sale volume should stay steady but the decline in steel prices could affect business results.
16	Oil & Gas			-	-	- The decrease in global crude oil prices in Q3 continued to affect the business results of up and mid-stream companies. - Down-stream companies (gas distributors) have been able to maintained stable profit margins but experienced drop in revenue. - Thanks to on-shore projects, business results in several O&G constructors may remain stable.
17	Healthcare	+	+	+	+	- Healthcare demand tends to raise over the last two quarters. - This is the period for businesses to push sales in order to achieve sale targets and earnings could improve as the result.
18	Minerals	+	+	-	-	- Lowered mineral prices have continued to cause difficulties for the majority of companies.
19	Seafood	+	+	+	+	- Seafood export orders usually grow in Q3 due to the increase in demand from developed markets during holiday such as Christmas and the New Year - Raw material price drop and exchange rate adjustments may help boost consumption .
20	Fertilizer	-	-	-	+	- Fertilizer demand could be low due to less agricultural production activity in Q3 and Q4.
21	Logistics	+	+	+	+	- Operating capacity of truck and ship fleets as well as warehouse can increase significantly in the last 3-4- months as the result of increased raw material imports by local manufacturers. - Increased number of export orders can also support the amount of transport cargo and port throughput.
22	Natural rubber	+	+	-	-	- In the end of the year, natural rubber consumption usually improves; however, the decline in rubber prices after the yuan depreciation could restrain the improvement of business results.

(1) Seasonality rating: +: Seasonal; -: Non-seasonality

(2) Business outlook rating: +: Fairly optimistic; ++: Optimistic; +++: Highly optimistic; -: Fairly negative; - - : Negative; - - -: Highly negative

HIGHLIGHT STOCKS

Fundamental stocks with earning outlook from stable to positive

STT	Ticker	2Q2015 results (VND bn)		2Q2015 growth (% yoy)		3Q2015 Profit trend		Trailing P/E	P/B (*)	Market price (VND/share) (02/10/2015)	Valuation	Recommendation/Outlook
		Revenue	NPAT	Revenue	NPAT	vs 3Q14	vs 2Q15					
1	APC	27.3	6.9	20	32	+	+	8.3	1.2	18,000	19,000	Neutral - Intermediate term
2	BID	5,785.0	644.3	800	5,600	+	+	12.3	2.1	23,400		Optimistic - Long term
3	BMI	547.1	50.8	2	121	+	+	11.1	0.8	19,500	23,000	Accumualate -Intermediate term
4	BMP	722.9	166.1	17	55	+	+	11.4	2.8	115,000	87,700	Accumualate - Long term
5	CII	317.1	366.0	-74	356	+	+	4.6	1.0	23,000		Optimistic-Long term
6	CMI	24.4	4.3	-6	-16	-	+	5.8	1.0	11,600		Neutral - Long term
7	CNG	245.4	35.4	-12	35	+	+	7.3	2.2	31,700		Accumualate -Long term
8	CSM	1,255.6	105.7	60	16	+	+	6.8	1.7	29,600		Neutral -Intermediate term
9	CHP	145.2	54.7	71	-505		0	7.3	1.7	19,500	23,600	Buy-Intermediate term
10	DBC	1,499.3	53.2	25	156	-	+	6.1	0.9	25,700	27,000	Stable-Long term
11	DHC	161.2	21.1	11	71	+	+	7.6	1.6	24,700	23,800	Neutral -Intermediate term
12	DIG	200.3	18.4	46	-1294	+	+	56.0	0.9	12,100		Stable-Long term
13	DMC	287.1	39.7	-28	15	+	+	8.3	1.6	41,900	48,000	Accumualate -Intermediate term
14	DNP	222.8	14.9	89	399	+	+	4.9	1.1	19,300	21,900	Buy - Long term
15	DPM	2,804.0	290.1	13	8	+	+	9.9	1.3	31,700	35,800	Accumualate -Intermediate term
16	DPR	123.8	74.2	-19	169	-	+	5.3	0.5	31,800		Neutral -Long term
17	DRC	910.7	115.1	5	16	+	+	11.3	2.9	46,000		Neutral - Intermediate term
18	DXG	212.3	116.6	80	272	+	+	7.1	1.4	18,000		Optimistic - Intermediate term
19	FMC	727.6	20.6	6	9	+	++	6.1	1.3	25,000	25,500	Neutral - Intermediate term
20	FPT	11,744.4	456.6	10	7	+	+	10.3	1.8	44,800	52,900	Accumulate - Long term

21	GDT	73.4	11.8	9	-14	+	+	8.2	2.0	34,600	41,300	Neutral - Intermediate term
22	GMC	362.7	32.5	16	110	+	+	6.8	2.0	46,000		Optimistic-Long term
23	GMD	909.3	137.4	23	-70	+	+	16.6	0.8	34,500	44,400	Optimistic-Long term
24	GSP	268.7	19.0	46	275	+	+	8.2	0.9	12,900	15,400	Optimistic-Long term
25	HBC	1,290.1	23.0	61	184	+	+	11.8	1.3	17,400		Unoptimistic-Intermediate term
26	HMH	36.6	10.9	94	-21	-	-	6.0	0.9	20,500	33,800	Buy - Long term
27	HPG	7,647.8	1239.1	14	31	+	-	7.0	1.7	31,000		Optimistic-Intermediate term
28	HSG	4,830.1	241.4	12	118	+	-	6.6	1.5	41,700		Optimistic-Intermediate term
29	HT1	2,063.0	146.5	19	1197	+	+	10.1	1.7	22,000		Optimistic-Intermediate term
30	HVG	4,571.1	13.0	24	-80	-	+	9.2	1.0	16,600		Neutral-Intermediate term
31	LAS	1,413.8	96.6	4	63	+	-	6.2	1.9	32,000		Stable-Long term
32	LCG	352.3	14.3	73	10	+	+	28.9	0.5	6,900	9,500	Buy-Intermediate term
33	MAC	30.0	4.4	14	840	-	-	5.7	0.9	10,500	16,900	Buy - Long term
34	MWG	5,363.3	221.2	54	56	+	+	10.4	4.4	61,500	101,000	Buy-Intermediate term
35	NBB	34.2	40.0	-36	5457	+	+	16.8	1.0	22,300	26,800	Accumulate-Long term
36	NT2	1,986.1	119.0	37	52	+	+	4.9	1.6	25,900	29,700	Accumulate-Intermediate term
37	NTL	102.2	20.1	73	7333	+	+	17.2	1.0	14,000		Stable-Intermediate term
38	NTP	990.5	104.8	19	9	+	+	9.0	2.0	48,400	64,500	Buy - Long term
39	PAC	601.2	27.8	12	28	+	+	10.5	1.8	30,200	27,500	Neutral-Intermediate term
40	PCT	232.3	5.2	-15	36		0	10.7	1.0	10,500		Optimistic-Intermediate term
41	PET	2,864.8	68.6	-8	21	+	-	7.1	0.9	15,900		Stable-Long term
42	PET	2,864.8	68.6	-8	21	+	-	7.1	0.9	15,900		Stable-Long term
43	PGS	1,564.3	31.8	-19	-22	+	+	7.7	0.9	19,200	25,000	Buy-Intermediate term
44	PLC	1,781.3	127.5	10	112	-	-	7.8	2.3	36,100	34,500	Accumulate - Intermediate term
45	PNJ	1,717.8	-5.9	-30	-110	+	+	15.1	2.5	32,800		Stable-Intermediate term
46	PVD	3,857.6	529.5	-31	-28	-	-	5.8	0.9	34,200	57,400	Buy-Intermediate term

47	PVS	7,550.8	550.2	1	6	+	-	5.1	0.9	20,900		Optimistic-Intermediate term
48	PXS	599.7	48.9	15	19	-	+	6.1	1.2	15,200	17,000	Accumulate-Intermediate term
49	REE	683.8	237.6	10	15	+	+	6.6	1.1	25,000	29,700	Neutral-Long term
50	SFG	752.8	29.2	8	-21	-	-	6.3	1.1	14,100		Stable-Long term
51	SHP	112.4	14.9	-19	-72	+	+	11.8	1.6	18,500	22,000	Accumulate-Intermediate term
52	SKG	91.5	54.4	48	92	+	-	13.1	4.5	77,000	64,300	Accumualate - Long term
53	SVC	2,224.1	30.5	24	203	+	+	8.1	0.6	23,600	24,100	Accumulate-Intermediate term
54	TCL	223.8	26.4	3	-1	-	-	5.1	1.0	26,500		Optimistic-Long term
55	TCM	729.7	53.9	10	15	+	+	10.5	2.2	36,600	42,500	Buy - Long term
56	TNG	500.5	22.7	56	41	+	+	7.3	1.7	26,300		Optimistic-Long term
57	VIC	6,031.5	289.3	-22	-66	+	+	38.4	2.5	41,600		Optimistic-Long term
58	VNC	103.4	7.1	23	49	+	+	11.3	1.9	29,500	28,900	Neutral-Long term
59	VNM	10,500.1	2185.2	14	39	+	+	17.7	5.7	101,000	110,000	Neutral - Long term
60	VNS	1,068.3	86.5	18	16	+	+	6.9	1.5	32,400		Stable-Long term
61	VPH	62.4	-1.6	15	-80	+	+	29.1	0.7	7,900	10,200	Buy-Intermediate term
62	VSC	225.7	78.4	-5	21	+	+	8.0	1.9	61,000		Optimistic-Long term
63	VTO	351.8	14.5	-7	-13	+	+	8.8	0.5	6,500		Monitor

Source: Stockplus, RongViet Research

**BID: Total operating income*

05/10/2015

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