AUGUST

14

FRIDAY

ADVISORY DIARY

- **VNC - Embrace the new wave of international commerce**
- **Week 10/08 – 14/08: Unstable sentiments in both domestic and foreign investors.**

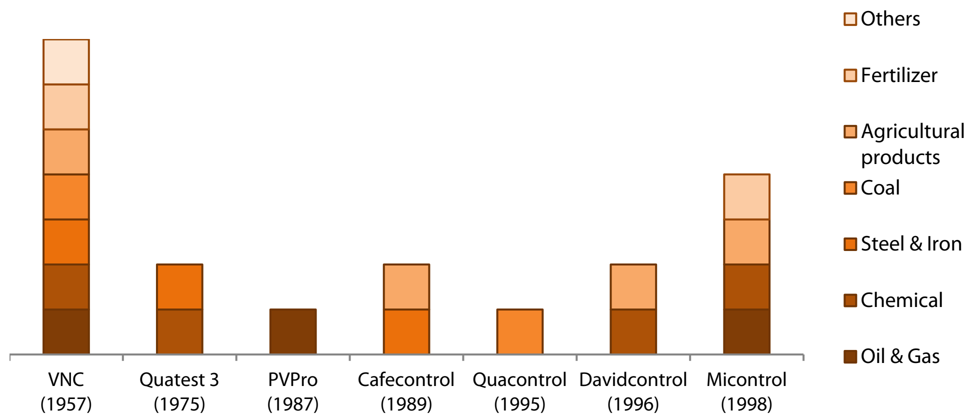
VNC - Embrace the new wave of international commerce

In the context of foreign trade improvement, especially when the trade agreement will be concluded early, ***inspection industry*** - a specific service associated with export-import activity would record positive performance. Today, RongViet Research has published the company report for the stock of VINACONTROL GROUP CORP **(VNC-HNX),** which has achieved large market share in this sector.

VINACONTROL GROUP CORP **(VNC-HNX) –** accounted for 40% of market share in inspection industry with experienced and professional inspection team. VNC brand, thus, has gradually become more and more popular.

"Week 10/08 – 14/08: Unstable sentiments in both domestic and foreign investors"

Figure: Year established and main goods inspection of key local companies



Source: RongViet Reseach

Notably, VNC has currently provided services for all domestic goods traders, except the FDI traders. Due to fierce competitive pressure in the main segment (providing **certificate of inspection**), boosting the supply of **quality certificate** authorized by State Management Organizations is considered as an appropriate strategy to deal with this issue.

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Trien Le, our analyst supposed that with the current business conditions, VNC would grow stably with the industry rate.

There are still opportunities for VNC to reach outstanding growth if it expands actively in the service chain. We expect the strategy partners after SCIC divestment will take this orientation as high feasibility of potential services. According to our best scenario built, foreign brands in similar industry should become partners. However, SCIC detailed divestment plan has not been announced.

With relatively attractive cash dividend, long-term investors with value could consider this stock. Please see more information **here**.

Week 10/08 – 14/08: Unstable sentiments in both domestic and foreign investors.

Panic didn't occur this week but a whole market was covered by a somber color after having received series of unfavorable information: from repercussion of "unexpected TPP Agreement results" to strong depreciation of CNY and other Asia region currencies plus USD/VND hit the ceiling after SBV had relaxing the band from 1% to 2%. In general, it is difficult to quantify damages and benefits spreading to Vietnam's economy. Many investors are concerning about "instability". In order words, market can "sniff" the swelling risks; hence, it automatically increases the discount rate on share prices as well as rebalances portfolios to an acceptable risk level. Vietnam's 5-year CDS has inched up slightly during this week.

Friday trading session also reflected the negative market sentiment while contributing to 40% of the loss in all week. Regarding VN30, "green" colors maintained at several leading stocks such as DPM, VNM, HSG, BVH; meanwhile, selling force was relatively strong in other stocks.

Contrast to the movement of markets, **small and mid-cap stocks** only experienced a slight decline, even a slightly increase at the end of today trading session. In this group, Sea & Air Freight International (**SFI – HOSE)** received our attention with a sharp increase after positive Q2/2015 earning result announced. Consolidated revenue recorded VND 141 billion (+10% y.o.y) and NPAT reached at VND 18 billion (+218% y.o.y). As a result, in 1H2015, even though SFI recorded revenue to be equivalent to the same period, profit after tax surged by nearly 70% y.o.y and completed 85% of 2015 plan. Moreover, with the positive outlook in the next two quarters as well as the improvement of profit margin (+16% yoy), our analyst supposed that SFI's outlook will likely be brighter in 2015.

GAS also got attentions in today's session with a four times increase in trading volume and closed in floor price. According to several information, selling force for GAS could be from (1) oil price significantly declined (WTI down to USD 42.23/barrel, declining by 2.53% compared to previous trading day), (2) impact from "call margin" activities from several securities companies. In addition, news from the investors meeting of Nhon Trach 2 Thermal Power JSC (NT2- HSX) reveals that NT2 is negotiating with GAS about recalculating input gas price based on market dynamics. In the structure of NT2 consumption, there are 54% of gas volumes from Lan Tay field and the remaining from Hai Thach – Moc Tinh field. Because GAS has not finalized the negotiation on new pricing scheme (effective from April, 2014), the old pricing scheme has been unchanged which are the 2% increase annually for Lan Tay field and the market-oriented pricing for Hai Thach – Moc Tinh field. Based on current low oil price, above news is a disadvantage for GAS. However, our analyst said that there is no update news about the new pricing mechanism for natural gas and the payment from GAS to NT2 (if any) could be divided partly instead of all in one.

The most positive news that liquidity continued to improve with 3.77% increase and be more stable compared to last week. **Foreign investors** remained positive net-buying position (~VND253.4 bn on both exchanges), increasing the accumulation of net-bought to VND 6,571 bn. However, the cash flow only focused on several stocks such as SSI (VND 94.1 billion), NT2 (VND 62.6 billion) and DPM (VND 45 billion), but they backed to net-sold position in two recent days. Our market analyst supposes that ETF-VNM withdrawn 250,000 shares this week, their outstanding shares decreased to the lowest level in one month.

In the coming week, some information related to **July statistics of exports and imports** (Vietnam Customs) and **August inflation rate**. Based on the general movement since the early year as well as seasonal factors (the increase in next quarters ' orders will lead to the rise in machines, equipment and materials' imports), trade deficit is forecasted to continue. Thus, releasing this information could add more "grey" color in the general picture. Moreover, the monthly inflation rate of two major cities (Hanoi and Ho Chi Minh city) would release in upcoming week. According to our analyst, the downward trend of oil price will likely affect to August CPI; however, the rise in costs of public services including hospital fees and tuition fees will become the offset factor with the plunge in oil price. Thus, we supposed that August CPI would witness a slight increase.

Besides, news on FOL relaxation are awaited next week but we don't think it can cut the mustard by issuing a detailed list of industries. So, market can hardly recover immediately. Investors holding cash are recommended to observe market movements carefully unless otherwise when the chips are down and panic spreads, be greedy when others are fearful. For those who are having high proportion of stocks in portfolio, we recommend to take opportunities of stock pullback to balance ratio of cash and shares to minimize risks.

More information

Our analysts have recently drawn attention to the chemical explosion at Tianjin city port, which is of importance to China's imports, especially iron ore. In the first 6 months of 2015, 25.08 million MT iron ore, making up 5.5% Chinese domestic demand and 30% steel exports were transferred through the port. Initial news reported no damage to the iron ore stored, however importing activities might be disrupted. According to Bloomberg, iron ore's world price went up by 1.7% to USD 55.31/MT, the highest since July, whereas HRC steel price continued its downward trend.

Regarding domestic steel companies, our analysts expect no influence on HPG, as the firm uses domestic iron. According to VSA, the weak demanding season has begun, yet July construction steel declined slightly compared to June (-1.52%) and was 23.24% more than that of July 2014.

Meanwhile, HRC price's downward trend is expected to boost HPG's tube steel business as well as coated corrugated iron producers such as HSG and NKG. It was reported by VSA that tube steel consumption decreased in July by 0.9% but still grew by 36% yoy; while the figure for coated corrugated iron went down by a great 7.2% compared to June, yet increased 14.2% yoy.

WEEKLY TECHNICAL VIEW

VN-Index

VN-Index dropped 14.73 points (or 2.44%), closed at 589.03. Trading volume increased slightly 5.5%, up to 501 million shares.

VN-Index bounced on Monday to test the EMA(26) at around 615 and then fell sharply for the rest of the week. The 600 threshold was broken easily. VN-Index is now on the way down to its SMA(200) at around 580.

Basically, VN-Index is still in an intermediate-term downtrend with lower lows and lower highs. Traders should pay attention when VN-index approach its long-term moving average SMA(200). The rising of the volumes will be a remarkable signal.

Looking at technical indicators, both the MACD and the RSI kept moving down sharply and nearly approached the oversold territory. The (–DI) indicator is rising strongly showing that the down trend is developing.

A recovery from 580 area (if any) will be a good chance for short-term traders.

HNX-Index

HNX-Index lost 3 points (or 3.58%), close at 80.88. The trading volume was equivalent to previous week with about 199 million shares changed hands.

HNX-Index plunged without any resistance. The long-term support is at around 79 where the support trend line meets the 78.6% Fibonacci Retracement. The appearance of any reversal candlestick pattern or the rising of volumes will be positive signals.

Looking at technical indicators, both the RSI and the MACD remains bearish. Almost indicators are in oversold territories. Recovery sessions may come soon. In that case, the resistance will be at around 82.

Recommendation:

VN-Index and HNX-Index kept going down sharply and broke their previous troughs. The decrease of the market may be continued and the indices may fall to lower supports but that would be a good chance for investors to accumulate stocks at low prices for long-term purposes.

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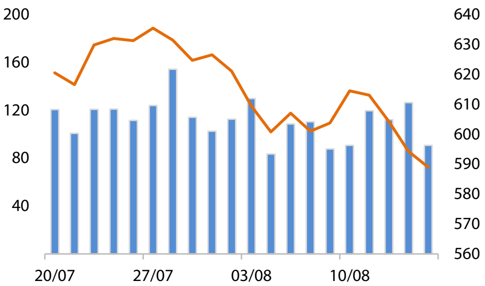
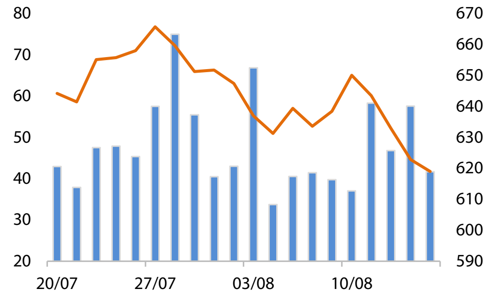
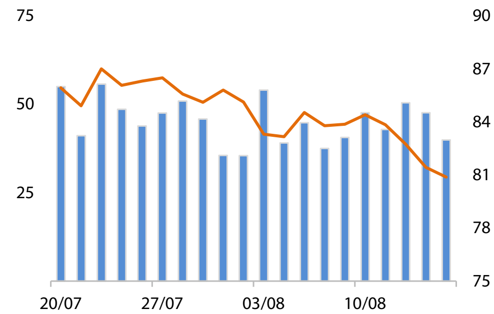
VNINDEX	-0.88%	589.03	VN30	-0.62%	618.94	HNXINDEX	-0.68%	80.88

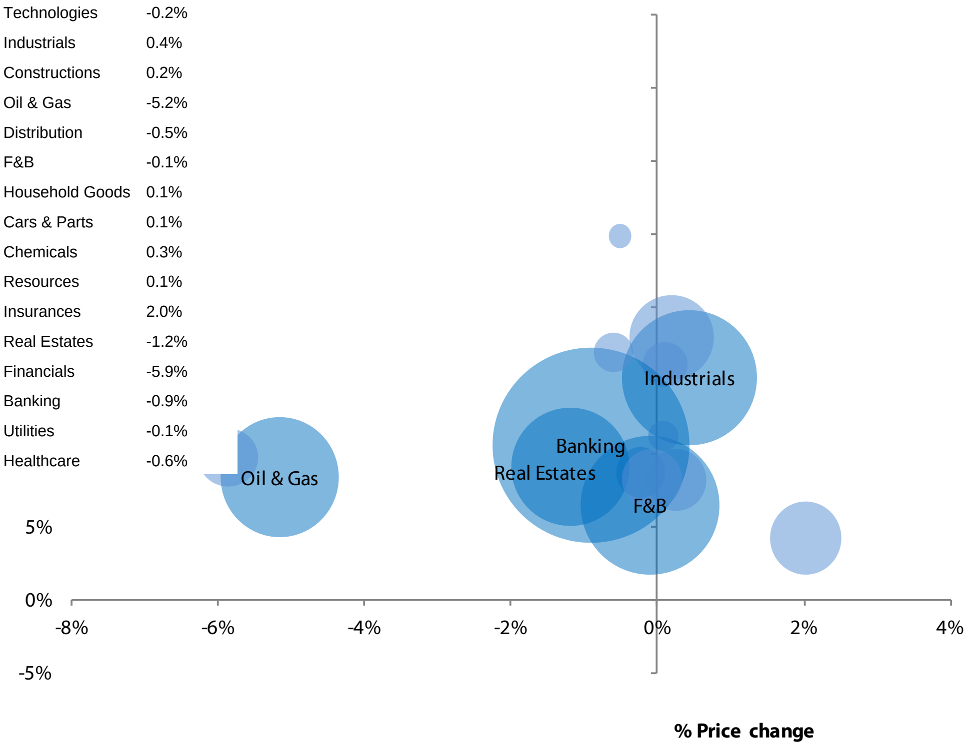




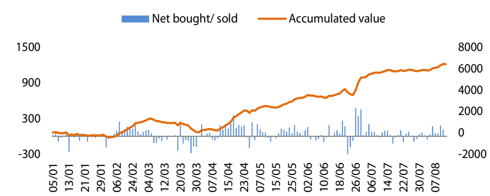


Industry Movement

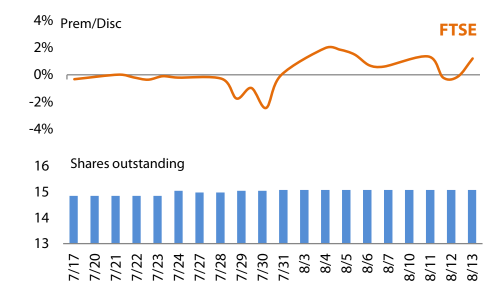
Industry	% change
Technologies	-0.2%
Industrials	0.4%
Constructions	0.2%
Oil & Gas	-5.2%
Distribution	-0.5%
F&B	-0.1%
Household Goods	0.1%
Cars & Parts	0.1%
Chemicals	0.3%
Resources	0.1%
Insurances	2.0%
Real Estates	-1.2%
Financials	-5.9%
Banking	-0.9%
Utilities	-0.1%
Healthcare	-0.6%

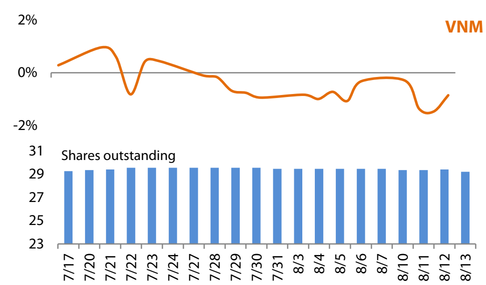


Foreign Investors Trading



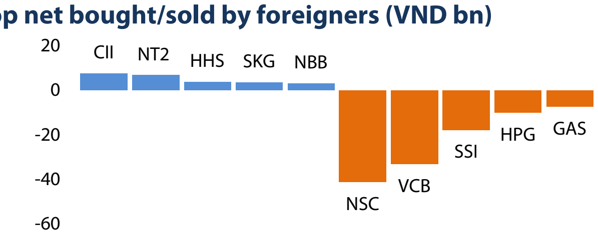
ETF



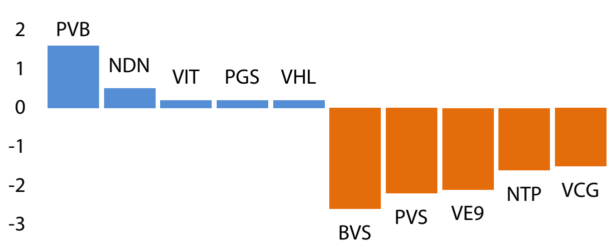


Top net bought/sold by foreigners (VND bn)

HSX



HNX



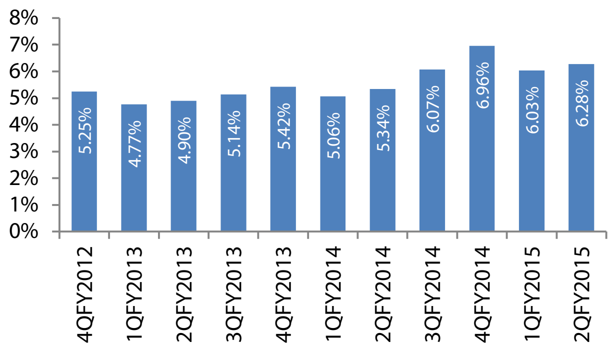
Top Active

Ticker	Price	Volume	% price change
FLC	7.4	5.18	-1.3%
SSI	24.9	4.75	2.0%
CII	25.5	4.74	-3.0%
MBB	15.4	3.54	-0.6%
OGC	2.6	2.89	4.0%

Ticker	Price	Volume	% price change
KLF	5.5	3.03	-1.8%
SCR	8.2	2.74	0.0%
KVC	14.6	2.59	9.0%
SHB	7.3	2.02	-2.7%
PVX	3.7	1.38	2.8%

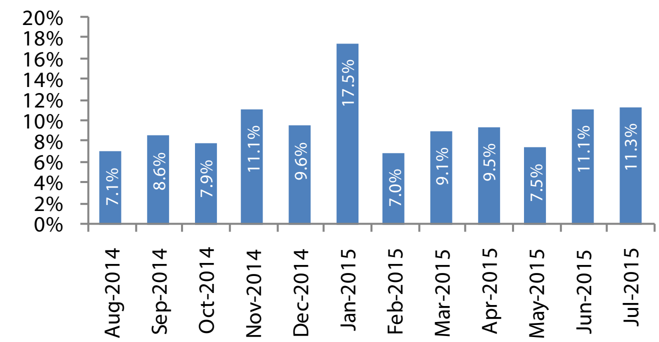
MACRO WATCH

Graph 1: GDP Growth



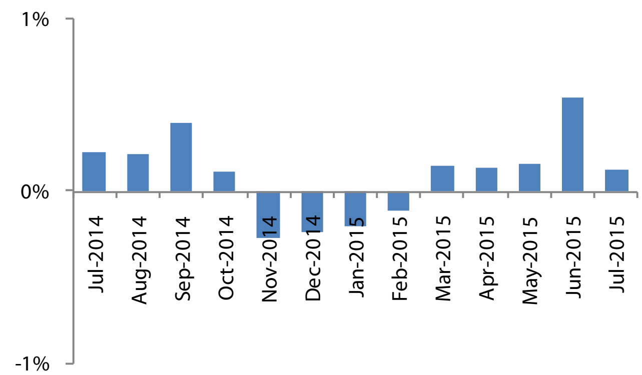
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



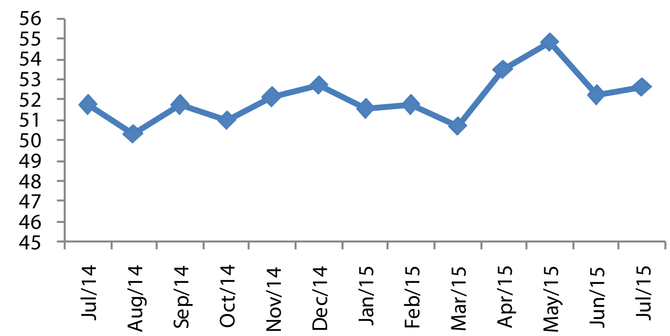
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



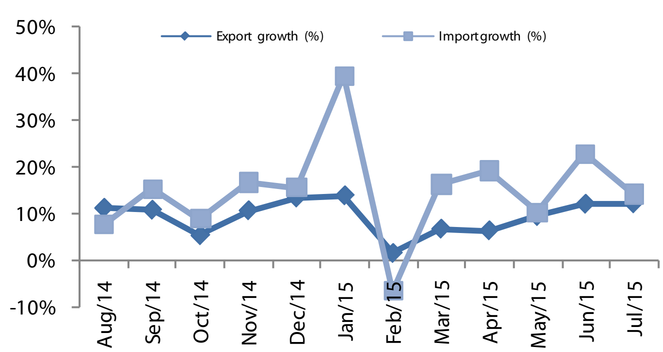
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



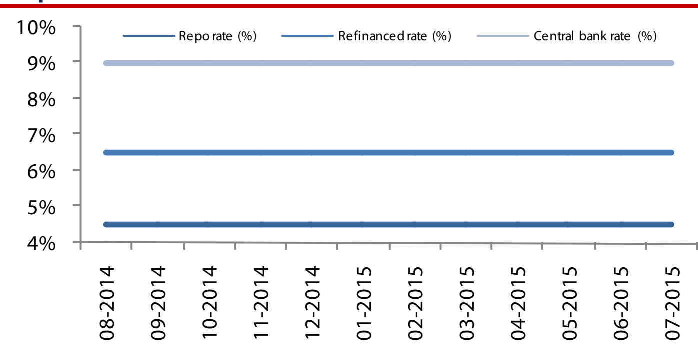
Sources: GSO. Rongviet Securities database

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	21/07/2015	0% - 0.75%	0% - 2.5%	11,817	11,748	0.59%
VEOF	21/07/2015	0% - 0.75%	0% - 2.5%	9,945	10,100	-1.53%
VF1	31/07/2015	0.2% - 1%	0.5%-1.5%	23,561	23,582	-0.09%
VF4	29/07/2015	0.2% - 1%	0%-1.5%	10,715	10,752	-0.34%
VFA	31/07/2015	0.2% - 1%	0%-1.5%	7,606	7,606	0%
VFB	31/07/2015	0.3% - 0.6%	0%-1%	12,282	12,260	0.18%
ENF	24/07/2015	0% - 3%	0%	11,626	11,557	0.60%
MBVF	30/07/2015	1%	0%-1%	10,578	10,626	-0.45%
MBBF	29/07/2015	0%-0.5%	0%-1%	12,300	12,295	0.04%

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