09

WEDNESDAY

"Cooldown"

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- **Cooldown**
- **Oil prices approaching 7-year bottom**
- **LDG – Favorable market conditions creates positive sales despite less added-value products**

Markets cool down after a hot rally yesterday. Quite narrow was today session as we saw two decliners per gainer on both bourses. VNIndex lost its ground 8.95 pts to hold back at 565 pts. HNIndex still decreased at a minor level of 0.54 pt and closed below 80 pts. Liquidity, on the other hand, witnessed another upward day with total matching-order volumes around 123.33 million shares.

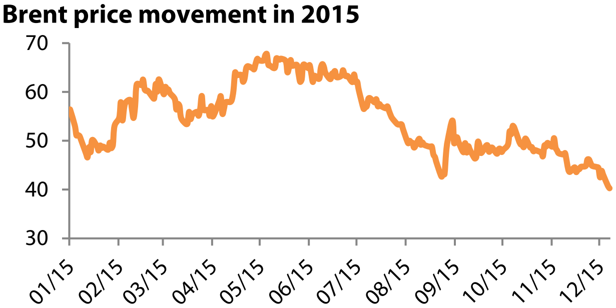
Foreigners were still net sellers but with the greatest values of VND327 billion since beginning of this month. We believe recent activities may come from VNM ETF. Total fund certificates redeemed for the last 3 days were 250,000, equivalent to VND90 billion. Meanwhile, some tickers, which are the current constituents of VNM ETF, were strongly shorted such as VIC (-VND43.4 billion), PVD (-VND31.4 billion), VCB (-VND27.4 billion) etc. We also notice that VNM ETF is traded at 0.8% discount (as of 08/12/2015). Unflavored ETF movements, unsupported news and net selling trend in the first half of December in previous year drive us to a conclusion that markets are still under scenario of foreigners' capital outflows.

Markets in general and stocks in detail are in a very short-term fluctuation. Most of time, prices will be pull down from the intraday high. Most of stocks are still looking for a "real" bottom, which will challenge every participant, even the toughest investors. Markets may in mix of decrease and increase or we may even see some "T+ recovery" sessions but there is very low chance to make profit it such conditions. To terminate the downtrend, there should (or must) be a "wash-out" session as well as stability from blue chips.

Oil prices approaching 7-year bottom

Crude markets continue to experience negative pressure when future contracts for oil approaching the trough of 7 years, the period of 2008 financial crisis. At the end of 08/12/2015 trading session on ICE Futures Europ and NYMEX, Brent and WTI declined to USD40.26/bbl and USD37.51/bbl respectively, equivalent to 30% drop compared to early 2015.

Brent price movement in 2015



Source: Bloomberg

According to Rongviet Research' analyst, the main reason came from the OPEC meeting with the struggle to reach a final output quota as usual. Furthermore, the concern continues to rise when several pieces of information related to the "disagreement" between members being published. Furthermore, Iran has relatively determined to increase total output next year after reaching the nuclear agreement. Under such news, if quota were maintained or increased, it could have not been meaningful for the current glut of supply. Moreover, OPEC has been produced at the level surpassing the quota level for a long period of time. According to the latest Short-term energy outlook report from EIA, US's crude production will decline by 0.5 million barrels/day in 2016, equivalent to 8.8 million barrels/day. However, with current 1.5 – 2 barrels of oversupply, crude markets still have to face the difficult question in term of consumption.

There is also a optimistic information that China expects to add further 70 – 90 millions oil barrel to strategic reserves in 2016 (equivalent to 220.000 imported barrels/day). In intermediate, we believe that the impacts on oil prices will be modest due to (1) small percentage compared to total demand, (2) China could only import at current price level, (2) energy safety being improved after Tianjin explosion could made the imports less than expectation and (4) the depreciation of Yuan. As a result, we do not expect a significant boost for consumption and prices.

In Vietnam, PVN recently planned to build capital budget and plan for 2016 base on 60USD/barrel. With current situation, we maintain the negative perspective about oil & gas industry when (1) exploring and exploiting activities could be delayed and (2) existing fields could not achieve the targeted level of profit.

Crude oil price and O&G index after OPEC meetings

OPEC meeting	Brent after 1 week	Brent after 1 month	Brent after 3 months	VN O&G Index after 1 week	VN O&G Index after 1 month	VN O&G Index after 3 months
OPEC 167th 05/06/2015	+0.88%	-10.69%	-24.77%	+2.40%	+6.59%	+2.99%
OPEC 166th 27/11/2014	-10.66%	-18.99%	-0.44%	+1.50%	-3.39%	+5.59%
OPEC 165th 11/06/2014	+3.92	-2.99%	-10.80%	+2.87%	+5.24%	+12.15%
OPEC 164th 04/12/2013	-1.95%	-4.60%	-2.31%	-2.18%	-0.54%	+20.11%
OPEC 163rd 31/05/2013	+4.15%	+2.60%	+13.89%	+6.93%	-0.74%	-0.74%

Sources: OPEC, Rongviet Research compiled

LDG – Favorable market conditions creates positive sales despite less added-value products

Our property sector analyst had a site visit yesterday to the project of LDG Investment JSC (previously Long Dien Real Estate JSC, HSX – LDG). Despite optimistic sales reports, the projects are wired with only basic infrastructures, serving mainly the local's demand to speculate on a land price appreciation.

The first destination is Sakura Valley, a 37.6-hectare residential project next to Giang Dien Waterfall Ecological Park marketed as a place for specialists and professionals working in nearby industrial parks. Sakura Valley has about 16.9 ha of commercial land area, consisting of 752 plots for townhouses and villas, which are selling around VND3-3.2 million per square meter. The project is developed and sold by Giang Dien Tourism JSC, an associate-turn-subsidiary of LDG. LDG says it has sold up to 70% of the project but has yet to recognize sales. Though the project inherits a part of the park's tranquil landscape, it has neither the facilities boasted in its marketing materials like a 5-star hotel, a supermarket and tennis court nor the actual construction of any houses or villas.

Sakura Valley

Less than a kilometer away from Sakura Valley is The Viva City, a 117-hectare project developed by LDG itself. The Company affirmed the sales of 1,596 out of 2,000 plots in the first phase of the project by December, almost a half of the sold plot were recognized in 9M2015; the remaining sales will be booked in Q4 and 2016, along with the sales in Sakura Valley. Although The Viva City project was open for sale as early as 2013, the project in-place infrastructures and prices do not differ much from those of Sakura Valley. Like its sister, The Viva City poses plenty grass-filled space with no construction on the surface aside from an office for sales people. To attract buyers, LDG plans to erect 100 townhouses next years, which will be selling from VND890 million to VND1.1 billion per unit, including the LUR and the house.

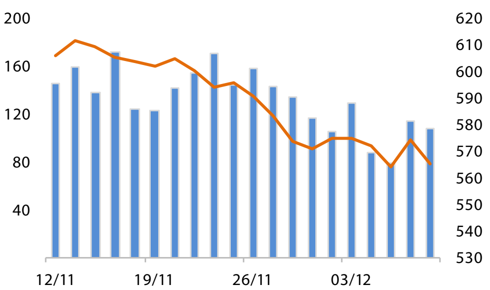
The Viva City

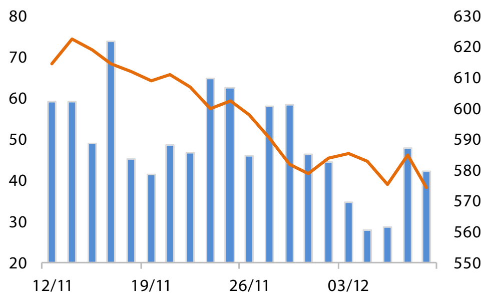
Like most if not all land plot projects in Dong Nai, The Viva City witness very slow sales during 2013 and 2014 and liquidity has just picked up since early 2015 when Long Thanh International Airport became a hot topic on the national forums. Customers at both projects usually buy 3-4 plots in speculation of price appreciation following the development of the airport and the relocation of Bien Hoa 1 Industrial Park to the nearby Giang Dien Industrial Park (592ha). As far as we concern, however, both events will not happen in the near term. The construction Long Thanh Airport will only start as early as 2019 and IP relocation, scheduled to be completed by 2025, has not even moved. Besides, like DXG and many other developers, LDG has always had a “quick in – quick out” tactic regarding their land plot project. It is unlikely that buyers with real demand will see fully developed at facilities Sakura Valley and The Viva City anytime soon.

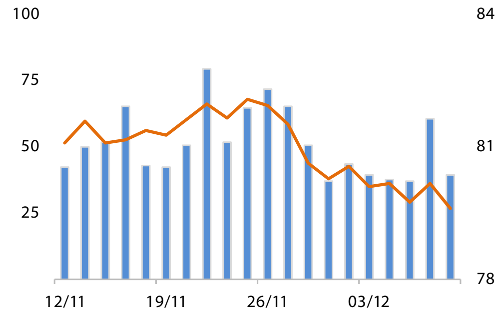
For the nine-months to September, LDG reported VND366 billion of net revenue, a six-time increase from a year earlier; NPAT reached VND95 billion against a loss of almost 1 billion in 9M2014. We believe favorable market conditions along with poor performance in 2014 have been the main contributors to LDG's positive earnings growth this year. In fact, without the recognition of negative goodwill from the acquisition of Giang Dien in the last quarter, LDG would not have had profit last year. Given the amount of unbooked revenue from The Viva City, reaching 2015's earnings target should not concern LDG.

LDG intends to double its share capital in an issuance of rights to existing shareholders in early 2016, a plan said to support the development the Grand World project (85ha, Phu Quoc). We see it likely that LDG, like DXG, will introduce more than one capital-raising plan in the upcoming years. This carries risk of dilution and implies insignificant growth of per-share criteria such as EPS and BVPS. LDG is trading at 0.97 times its BVPS, not much of a discount compared to the industry average P/B of 1.1x. If the LDG's going to put new shares at par in the coming issuance, the stock valuation could become even more expensive.

VNINDEX	-1.56%	565.20	VN30	-1.76%	574.54	HNXINDEX	-0.67%	79.60

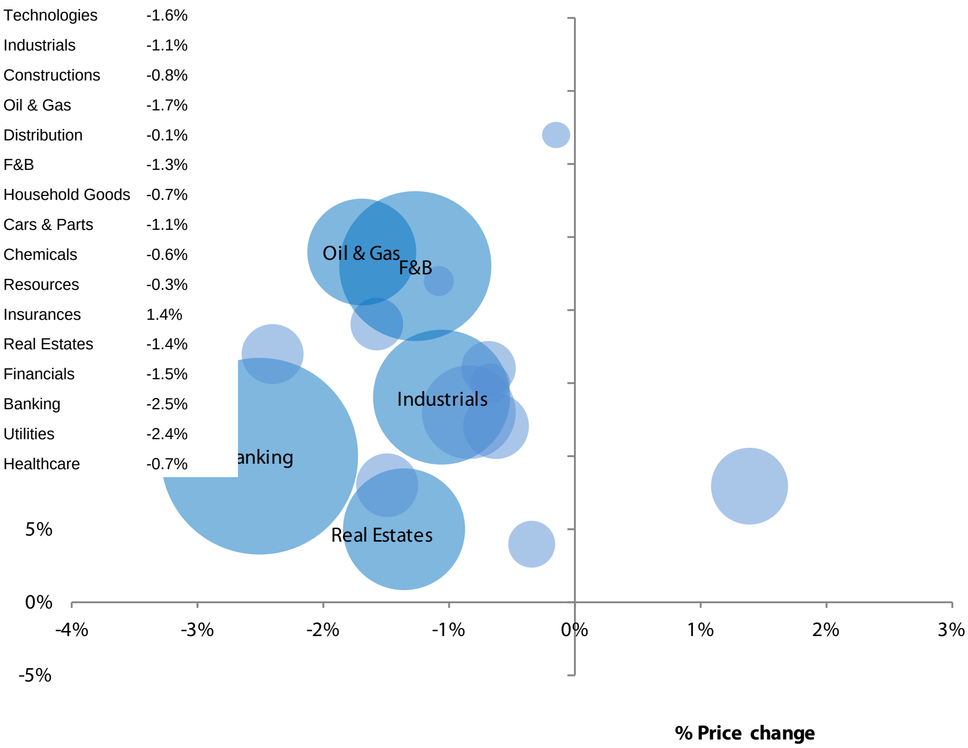




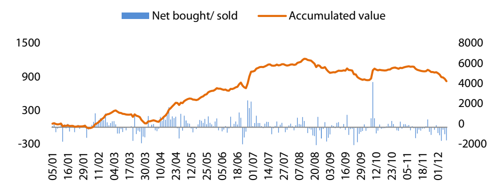


Industry Movement

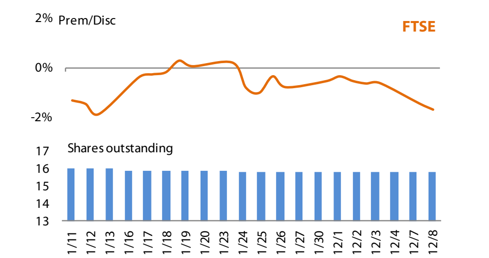
Industry	% change
Technologies	-1.6%
Industrials	-1.1%
Constructions	-0.8%
Oil & Gas	-1.7%
Distribution	-0.1%
F&B	-1.3%
Household Goods	-0.7%
Cars & Parts	-1.1%
Chemicals	-0.6%
Resources	-0.3%
Insurances	1.4%
Real Estates	-1.4%
Financials	-1.5%
Banking	-2.5%
Utilities	-2.4%
Healthcare	-0.7%

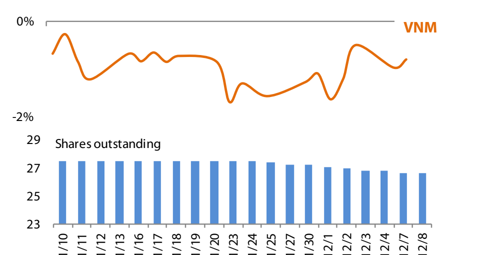


Foreign Investors Trading

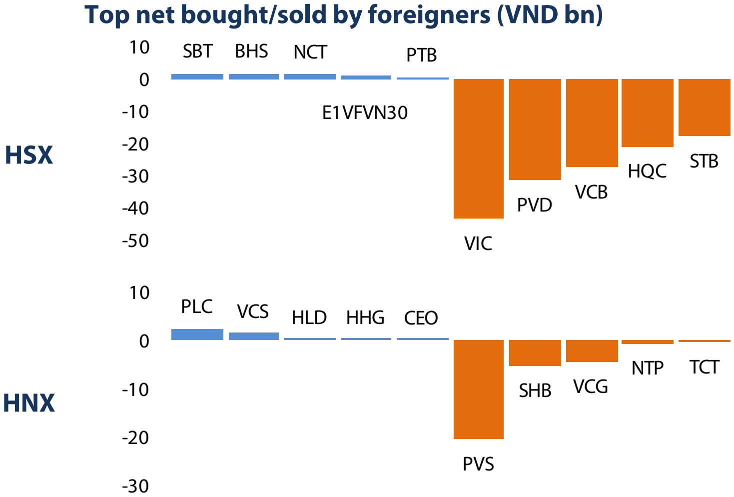


ETF





Top net bought/sold by foreigners (VND bn)



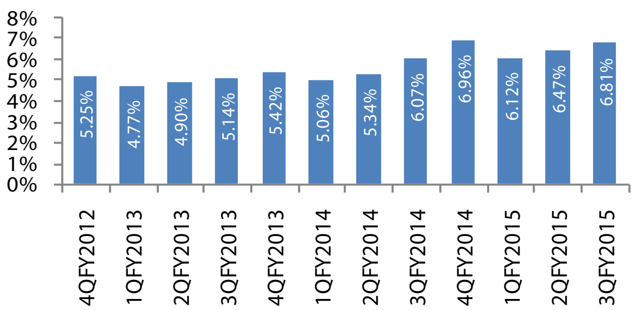
Top Active

Ticker	Price	Volume	% price change
FLC	7.9	6.58	-3.7%
HQC	5.9	5.69	-3.3%
ITA	5.9	4.68	-3.3%
OGC	3.8	3.87	-2.6%
SBT	18.9	3.43	0.5%

Ticker	Price	Volume	% price change
TIG	11.6	4.10	-0.9%
SCR	8.1	2.08	-2.4%
DPS	17.9	1.48	9.8%
PVS	18.1	1.48	-3.2%
VIX	7.4	1.44	-1.3%

MACRO WATCH

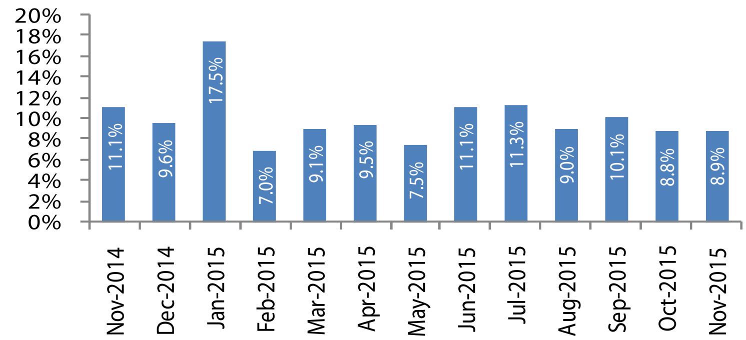
Graph 1: GDP Growth



Sources: GSO. Rongviet Securities database

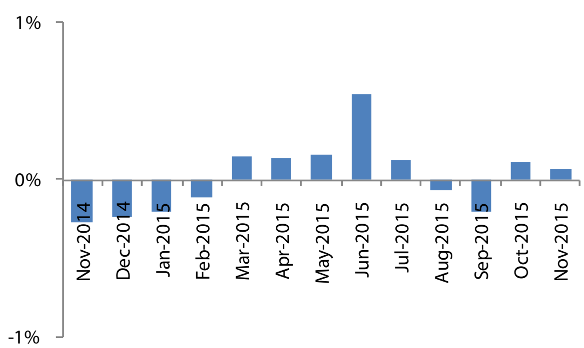
(*) Comparision price in 1994

Graph 2: IIP



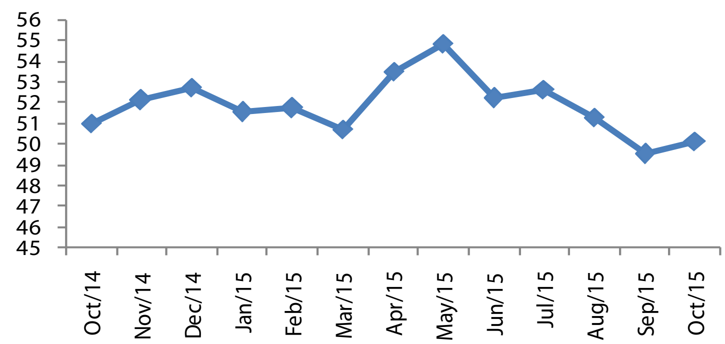
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



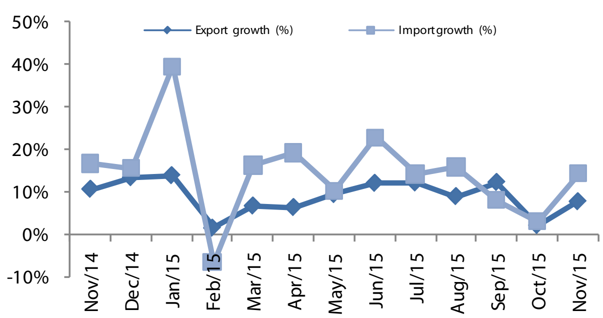
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



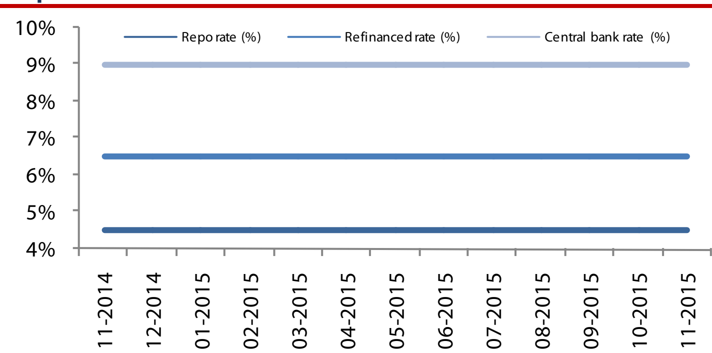
Sources: GSO. Rongviet Securities database

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
LHG - In the right time, in the right place	November 17th, 2015	Buy – Long term	25,700
DRC - Expecting on replacement segment	November 13th, 2015	Accumulate – Long term	52,000
NKG- Capital ravels to be untangled	November 6th, 2015	Neutral – Intermediate term	17,400
DMC - Restructuring sparks positive changes	October 30th, 2015	Accumulate – Intermediate term	49,000
HSG - New investments: The engine of growth	October 29th, 2015	Accumulate – Long term	52,500

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	17/11/2015	0% - 0.75%	0% - 2.5%	12,109	12,099	0.08%
VEOF	17/11/2015	0% - 0.75%	0% - 2.5%	10,276	10,663	0.59%
VF1	25/11/2015	0.2% - 1%	0.5%-1.5%	23,903	23,764	0.59%
VF4	25/11/2015	0.2% - 1%	0%-1.5%	10,847	10,768	0.74%
VFA	19/11/2015	0.2% - 1%	0%-1.5%	7,429	7,418	0.15%
VFB	19/11/2015	0.3% - 0.6%	0%-1%	12,523	12,506	0.14%
ENF	20/11/2015	0% - 3%	0%	12,225	12,156	0.57%
MBVF	19/11/2015	1%	0%-1%	10,740	10,902	-01.49%
MBBF	18/11/2015	0%-0.5%	0%-1%	12,494	12,485	0.07%

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