

We start to see a slowdown in earnings. Companies listed on HSX show a 1% decline in 1Q2019 NPAT. Earnings of HNX companies were up by 22%, but mostly thanks to the contribution of a few names including ACB, SHB, AAA, PVS, DGC, and VCG.

Share price performance wise, only Utilities stood out YTD, followed by some sub sectors like textile and fisheries. For other sectors, the performance is rather stock dependent. As with earnings results; the overall picture may not be promising, but there are certainly bright spots. This remains a stock pickers environment.

In conclusion, we see few things moving the market. Going forward, market participants could be excited on the impact of Vietnam having a higher weight in MSCI Frontier Market. But for now, we think the index will continue to move sideways. Trade war tensions remain a key risk and may cause short-term fluctuations.



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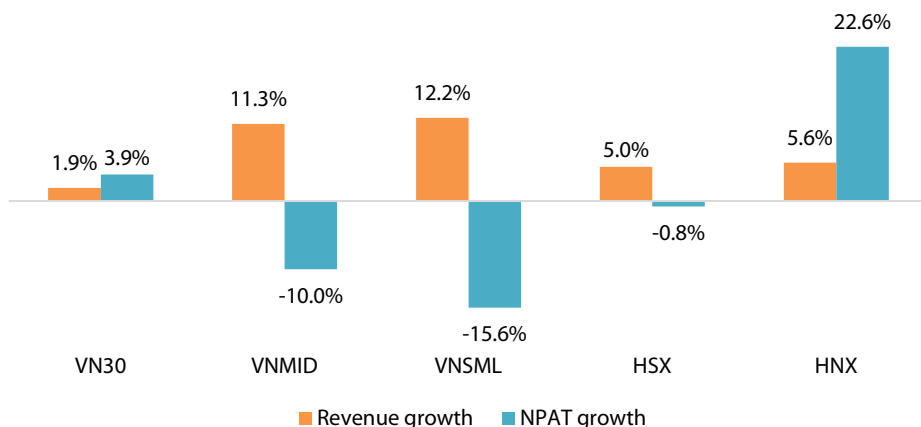
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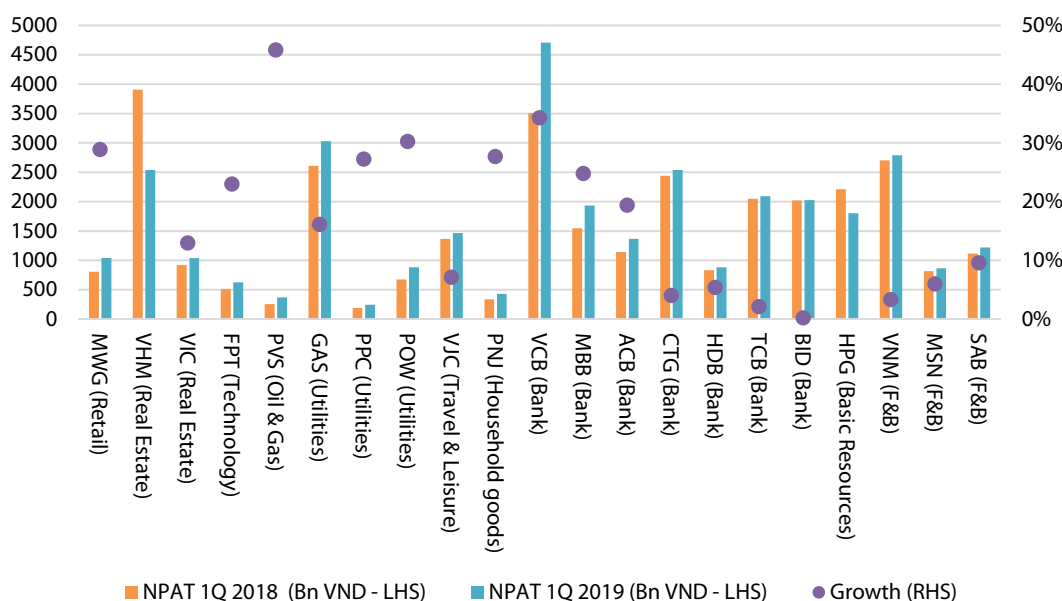
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Earnings growth of indices in Q1 2019



Earnings growth of noticeable companies in Q1 2019



Source: FiinGroup, Rong Viet Securities

Please see penultimate page for additional important disclosure

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We see little supportive news at the moment.

The AGM season has peaked in April as more than 900 companies already held their AGM. Our key takeaway is most companies believe their business will find difficulty to grow at 2017–2018 growth rates. Based on our rough estimates, planned revenue growth (among 925 listed companies) has gradually decreased from 26% in 2017, to 18% in 2018, and to 17% in 2019. Meanwhile, planned PBT growth has gradually reduced from 40% in 2017, to 31% in 2018, and to 12% in 2019.

The most obvious supportive event is MSCI's May 2019 semi-annual review later this month. If MSCI announces to include Kuwait into the MSCI Emerging Market Index, the proportion of Vietnam in the MSCI frontier 100 index will be increased to 30% (currently 17%). If so, there may be around USD 60 – 70 Mn from funds tracking MSCI Frontier to flow into Vietnam. Although this is unlikely to move the VNIndex in a meaningful way, the news may help to support overall market sentiment.

In the short term, we believe the market is facing more threats than opportunities. First, negative news from US – China negotiations may put pressure on global stock indices (especially S&P500, DJ, and Nasdaq) given those indices rallied strongly in first four months of 2019. Second, Vietnam macro indicators have been weakened in recent months. These factors may directly and indirectly affect the Vietnamese equity market.

As such, we believe it is difficult for the market to form an uptrend in May 2019. Having said that, a correction in May would offer a good point to accumulate stocks. Some ideas we suggest for this time are big companies (included in VN30) with strong fundamentals and attractive relative valuations compared to their potential growth in upcoming years.

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Analysis of 56 stocks of Rong Viet Research, discussion with companies and specific evaluation in the "Company Report" or "Analyst Pinboard"

GLOBAL MACRO

- Global economy is weakening
- The Fed's pivot may extend the US bull market
- Mini stimulus in China

Equities across the globe witnessed a V-shape recovery after the big Q4, 2018 scare. Data is pretty clear though; the global economy is weakening and the Fed responded by putting its dual tightening on hold. The Fed's pivot, combined with hopes for a Sino American trade deal and stimulus measures announced by Beijing caused stocks to rally Q1, 2019 and that continued in April.

The S&P500 (2,945.83) made a new ATH on April 23, 2019 and is now up +17.5% YTD as of April 30, 2019. At one point, markets seem to price in a 25bps rate cut this year, quite a reversal from four expected rate hikes in 2019 but Fed Chair Jerome Powell sent out a more neutral message at his last public appearance. The 10Y US bond yields 2.5% now down from 3.1% back in Oct 2018. Measured in greenbacks, the DAX +14.6% FTSE100 +12.8% and +15.7% CAC40 all rose so far this year while the Nikkei is up +10.0% YTD Hang Seng +14.7% YTD. The star performer YTD has been China, with the Shanghai Comp up a staggering +26.1% YTD. Also advances in Southeast Asia: VNI +9.4% STI +11.0% SET +9.2% JCI +15.5% and PSEi +8.1%. Malaysia was the sole loser, down -2.9% so far this year.

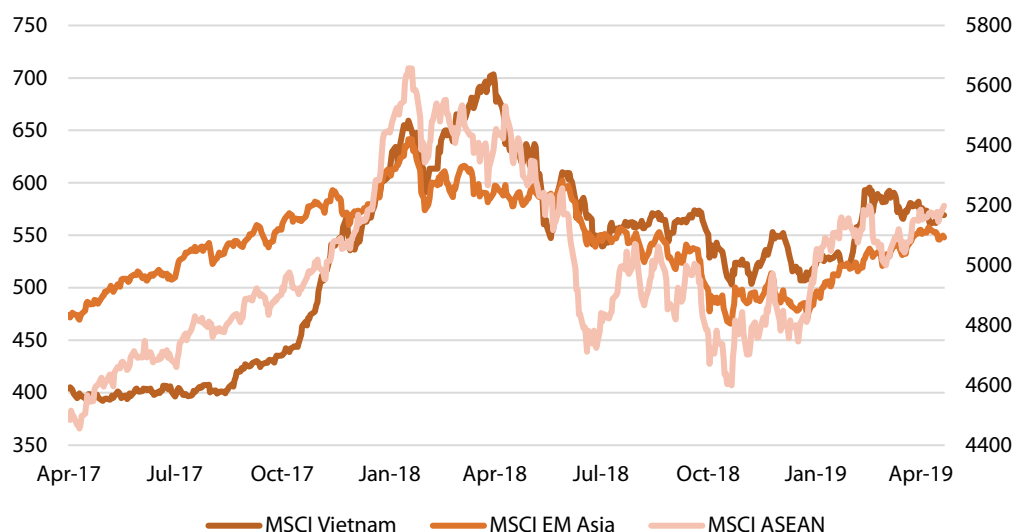
Debates are ongoing whether the Fed's pivot is the result of recession fears or a reaction to the sharp correction in asset prices late last year. We believe further economic weakness calls for a relaxation of monetary conditions that may extend the economic expansion and the longest ever US bull market just a little while longer. Current inflation data allows for such measures.

Meanwhile, the growth outlook remains weak in Europe while Japan fails to create meaningful inflation. Germany's PMI plummeted below 50 on falling global trade and its large dependency on the Asian markets. This sent investors rushing to buy Bunds. For the first time in three years yields on the 10Y government bond fell below zero. Indeed, the situation in Europe is far more severe than in the US. The Fed may stop raising rates, but the ECB never got started. The only 'conventional' monetary tool left in its box is to postpone monetary tightening.

The US Dollar Index (DXY) rose to 97.48 and is up +1.4% YTD, an indication dollar denominated assets remain in demand.

Investors may increase allocation to emerging markets as we believe the extraordinary period for American stock market (and economic) growth dominance has entered the final stages while Europe muddles through.

Figure 1: Asia recovers from terrible 2018

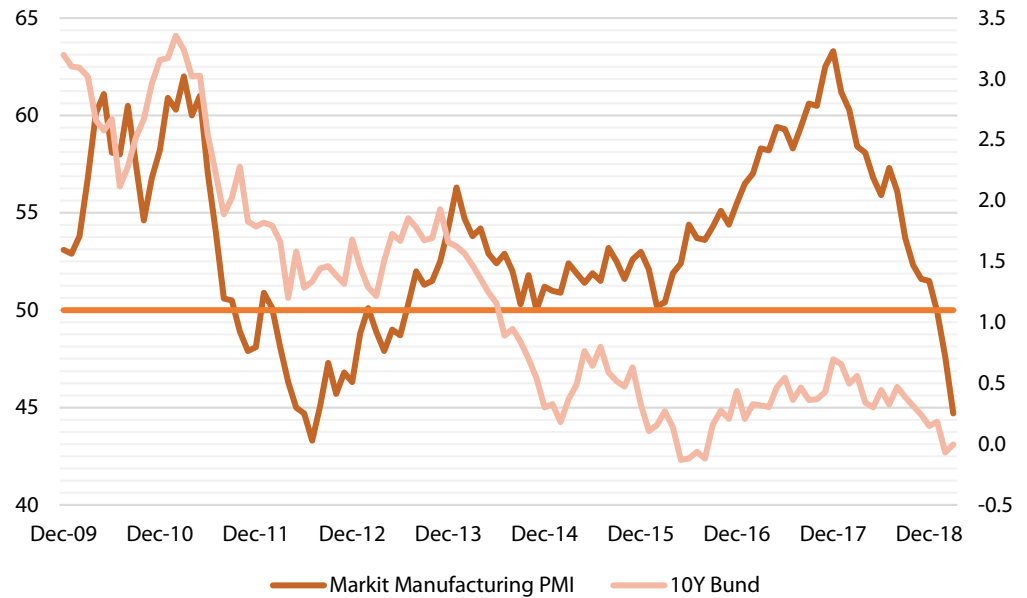


Source: Bloomberg

Global economy is weakening

The IMF cut its global growth forecast to 3.3%, the lowest since the financial crisis and down from the 3.5% forecast in January. It is the third time in 6 months that the IMF revised its outlook downwards. The Fund kept Chinese growth forecasts unchanged at 6.3% but cut the US and Eurozone's to 2.3% and 1.3% respectively. Europe may be entering a recession soon. Germany's PMI is pretty much in free fall (figure 2) and the Bund market reacted accordingly and rallied. Meanwhile, the US yield curve has inverted in March due to the ultra low rate environment suggesting a recession is coming sooner than people expect.

Figure 2: German PMI plummets below 50



Source: Bloomberg

The Fed's pivot may extend the US bull market

As mentioned, the Federal Reserve moved to a neutral stand, quite a pivot from Powell's declaration "rates are far from neutral" back in early Oct. The narrative reversed dramatically from four rate hikes in 2019 to chatter about rate cuts, the stop of QT and MMT. Some even speak of a "Fed put". Verbal easing is cheap but so far proved effective. In today's world, the Fed determines the tempo and other central banks follow.

Most likely, the Fed changed its mind following a dramatic last quarter for the US stock market driven by:

- Sino American trade escalation and the introduction of tariffs turning the trade war narrative into a reality.
- Signs of a synchronized global economic slowdown including the usual concerns of a China hard landing.
- The ECB cutting monthly buybacks in half and claiming to halt their QE program altogether in early Jan 2019.
- Strong USD placing pressure on emerging market central banks that hiked interest rates to save their currencies further adding to the tightening of global conditions.
- Dual tightening by the US Federal Reserve.

As you know, the US is experiencing the longest bull market ever amid the longest period of ultra-low interest rates and corporate buybacks. Also, if there isn't a recession by June 2019, this will be the longest economic expansion in history. Robert Shiller pointed out we have witnessed the third largest expansion of home prices in the US since 1890, without euphoria. Bull markets do not necessary die of old age, but this one is already historic.

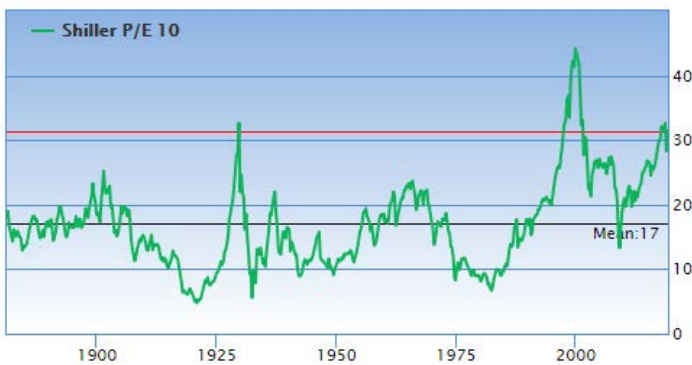
Figure 3: S&P500 post GFC Bull Run



Source: Bloomberg

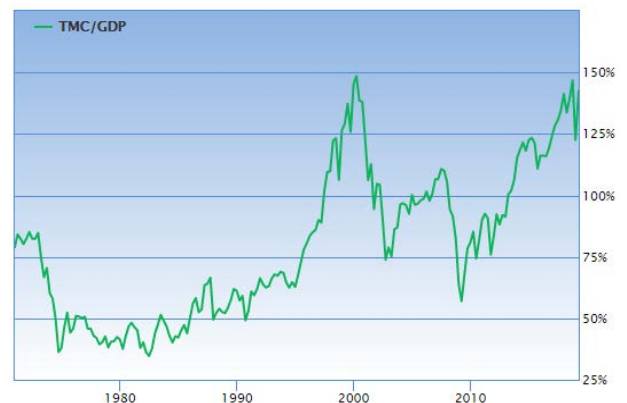
Total Market Cap to GDP (figure 5) also called the “Buffett Indicator” tells us we have been swimming in dangerous waters for a while, valuation wise. Also, the 10Y cyclical adjusted PE chart (figure 4) known as the “Shiller PE” was never higher unless during the dotcom years and roaring twenties.

Figure 4: 10Y Cyclical Adjusted PE (“Shiller PE”)



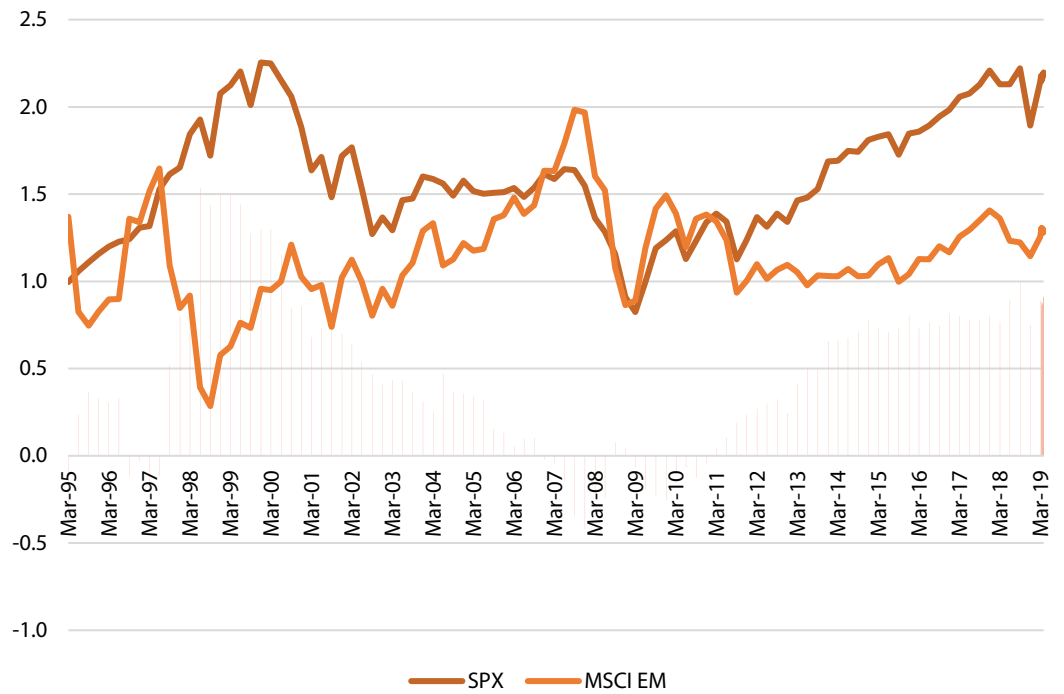
Source: Bloomberg

Figure 5: Total Market Capitalization vs. GDP (“Buffet Indicator”)



Arguably, unlike earnings, net sales or revenues are hardest for accountants to decorate. Below P/S chart shows S&P500 Price to Sales Ratios are near an all-time high.

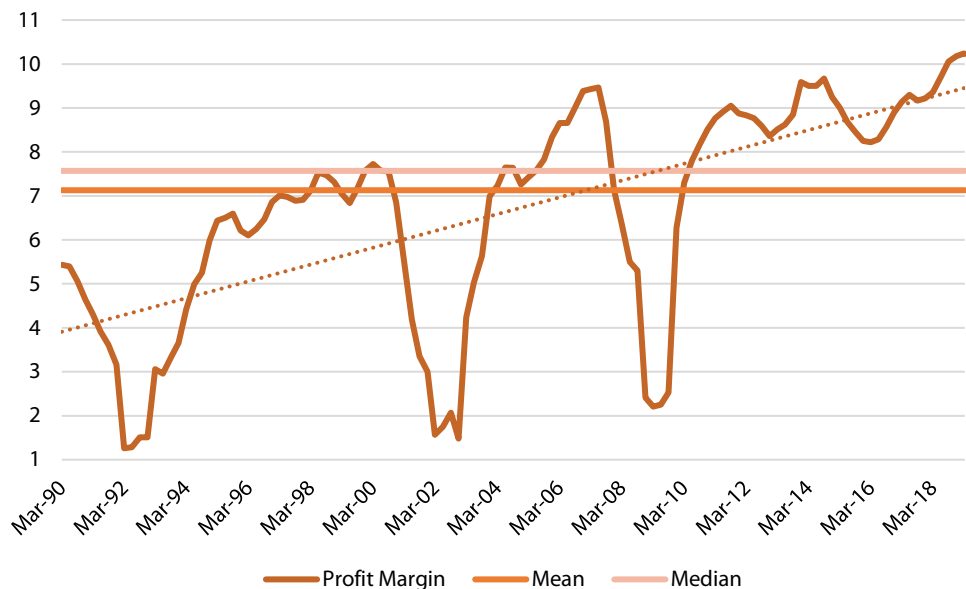
Figure 6: P/S Ratio for S&P500 vs. MSCI EM



Source: Bloomberg

Finally, the chart below shows profit margins are at an all-time high. The trouble with this is margins are supposed to be the most mean-reverting series in finance as high profits attract competition. So far, we are not seeing this.

Figure 7: S&P500 Profit Margins



Source: Bloomberg

A US recession is hard to predict but it is undeniably coming closer. Bears point out Trump's fiscal stimulus boosted earnings in 2018 but the positive effects are short-lived. The administration can always introduce new measures but such action may be ill-advised according to some economists given the budget deficit is projected to be 4-5% of GDP for the next 10 years already.

Proponents of MMT, Modern Monetary Theory on the other hand, see no issue and claim to offer a solution to so-called secular stagnation. Under MMT, governments no longer rely on an

independent central bank that manages the economy via interest rates and other tools but instead allows the government to spend as it wishes what would open the door for things like “helicopter money”. Japan has the highest public debt to GDP in the world at 236% but never really suffered a debt crisis, the BOJ made sure of that. However, the Japanese central bank also failed to reflate the economy.

We believe policy makers in the US will do their utmost best to keep the market up, too many American baby boomers are retiring each day and unlike most other nationalities much of their savings are in the market. If drastic measures are needed, they will be taken. There appear to be fewer taboos nowadays. 10 years ago, it was unimaginable to have several US presidential candidates to call themselves socialists (really social democrats).

Mini stimulus in China

In addition to the Fed pivot, asset prices in Q1, 2019 also rose on the belief that China will save the day. However, looking at the announced stimulus measures this time, they appear rather modest in terms of credit (the market may have started to realize this). Seemingly, the mention of stimulus as well as encouraging signs in the negotiations with the Americans improved sentiments in the first 3 months of this year. Actions are not focused on reflating the (old) economy (infrastructure spending) rather than boosting domestic demand (tax cuts). Remember, China is in a transition towards a more balanced economy relying on domestic consumption and away from heavy industrialization.

Moreover, Beijing is preoccupied with a long overdue deleverage. In the aftermath of the Global Financial Crisis, the Middle Kingdom went on a spending spree driving total debt to >250% of GDP. It is worth noting potential bad debts are corporate (150% of GDP) rather than household (50% of GDP) and mostly concentrated among SOEs with loans provided by state-controlled banks. This allows the state to manage NPLs, basically spreading the heavy bill out over many years.

Outlook

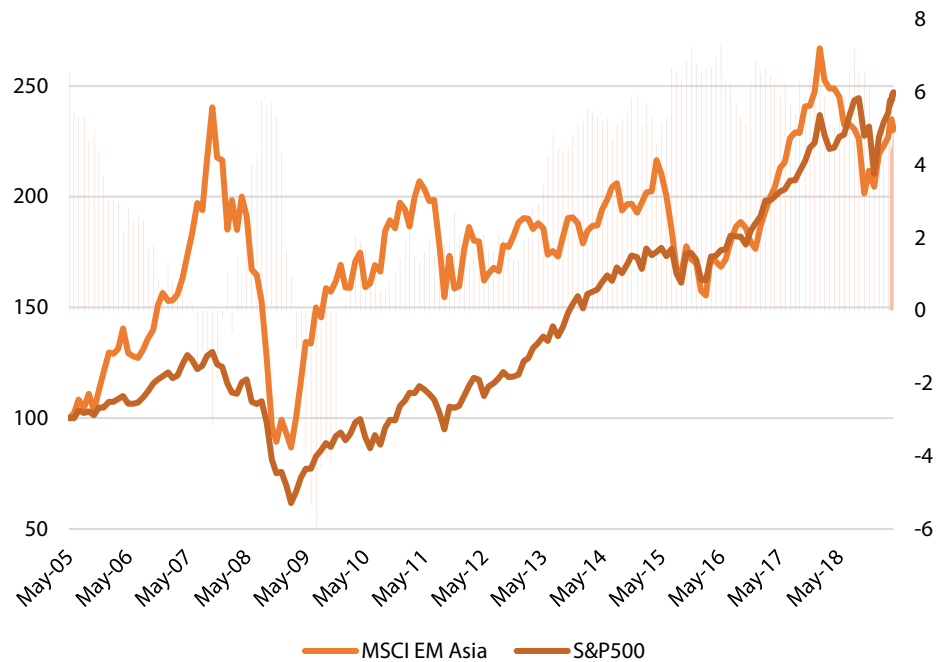
We believe further economic weakness is expected which calls for a relaxation of monetary conditions. This may extend the US bull market just a little while longer. Some economists, including the FT’s Martin Wolf however, believe monetary policy has ran its course.

In conclusion, investors may increase allocation to emerging markets as we believe the extraordinary period for American stock market (and economic) growth dominance cannot last forever and has entered the final stages.

2018 was a weak year for Asian equities due to the trade war and tighter monetary policy in Asia (including in China) and the US. As mentioned earlier, the market now sees potential reversals in monetary policy and a resolution on the trade issues. That’s a good start, but note so far these are mostly words and the market may demand action at one point.

Given last year’s weakness however, we feel value has emerged in Asia, more so than in the rest of the world. Valuations, though up YTD are still at relatively cheap levels.

Figure 8: ttm PE spread elevated in recent years



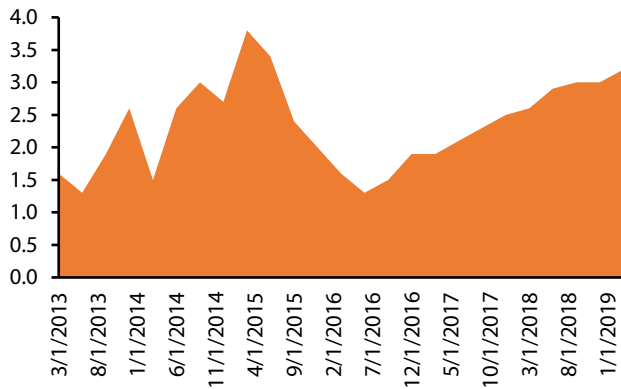
Source: Bloomberg

All elements required for sustainable long-term growth are present in Asia and investors find plenty of heterogeneous countries at different stages of development to consider. The superior economic fundamentals are well known and slowly but surely the West starts to understand the continent is increasingly becoming a free market and proponent of globalization at a time where Europe and the United States face an identity crisis.

We are particularly excited about manufacturing activity moving from North to South East Asia and especially to Vietnam, an economy poised for high growth.

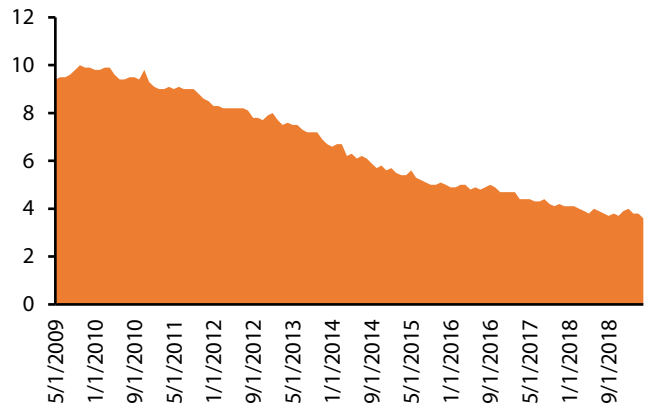
Global Macro Watch in April

US GDP Growth (% YoY)



Source: Bloomberg, Rong Viet Securities

US Unemployment Rate (%)



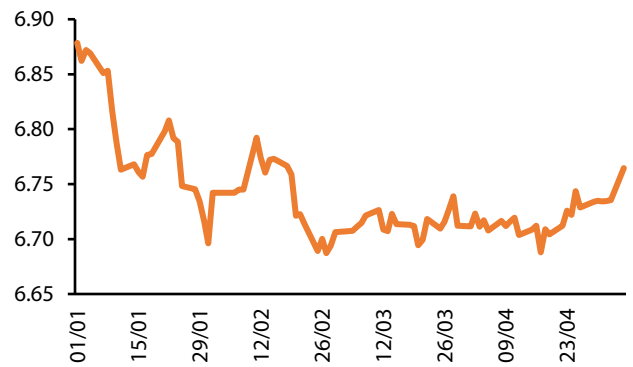
Source: Bloomberg, Rong Viet Securities

Gap between US 10Y and 3M bond yields (%)



Source: Bloomberg, Rong Viet Securities

USDCNY



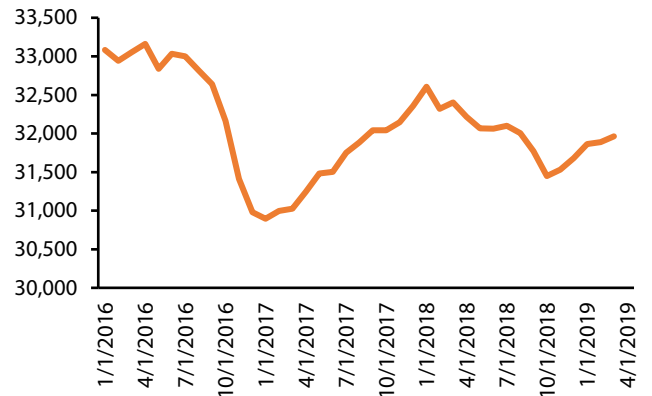
Source: Bloomberg, Rong Viet Securities

China's trade growth (% YoY)



Source: Bloomberg, Rong Viet Securities

China's reserve assets (USD 100 million)



Source: Bloomberg, Rong Viet Securities

VIETNAM MACRO

- Industrial Production is still good
- Managing Inflation
- SBV net bought USD 8.5 Billion FX Reserves

Industrial production is still good

Vietnam's industrial production index rose 9.3% YoY in April. Of which, mining and quarrying rose 2% YoY while manufacturing and electricity production advanced 10.5% YoY and 9.4% YoY, respectively. In the first 4 months of 2019, the index increased 9.2% YoY, lower than the 10.7% YoY in the same period last year, but higher than in previous years.

In general, Vietnam's industrial production remains good and rests on two key pillars: 1) New export orders supporting the manufacturing of wood and related goods, textile as well as machinery; and 2) The large-scale projects, Nghi Son refinery and Formosa steelmaking that started operations in the second half of 2018. The latter will positively affect the index, at least until the end of 2Q2019.

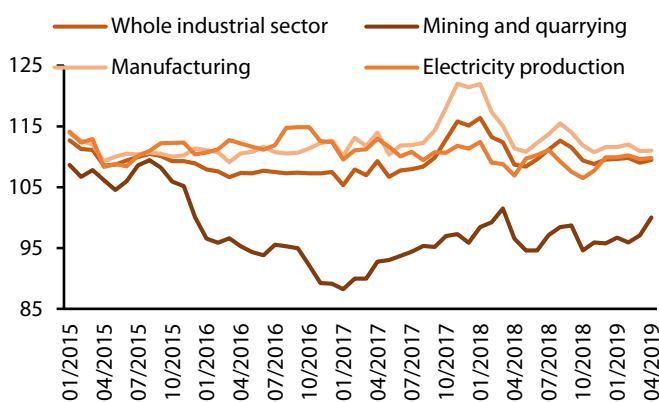
We recorded a recovery in mining and quarrying, including coal. In the latter case, high demand from thermal power generators and competitive domestic prices are supporting domestic miners. Vinacomin's output reached 10.8 million tons, up 11% YoY. Recently, Vietnam is increasing the amount of imported coal to mix with domestic products in order to satisfy the quality and quantity requirements for the thermal power plants.

Regarding quarrying activities, the Minister of Industry and Trade (MOIT) approved the export of more than 300,000 tons of iron ore to China via VietTrung, an MOIT controlled steelmaker.

As for electronic products and telephones, there was no clear improvement. The industrial production index in Bac Ninh province declined 11.9% YoY while that of Thai Nguyen province rose slightly by 7.3% YoY in the first 4 months of 2019.

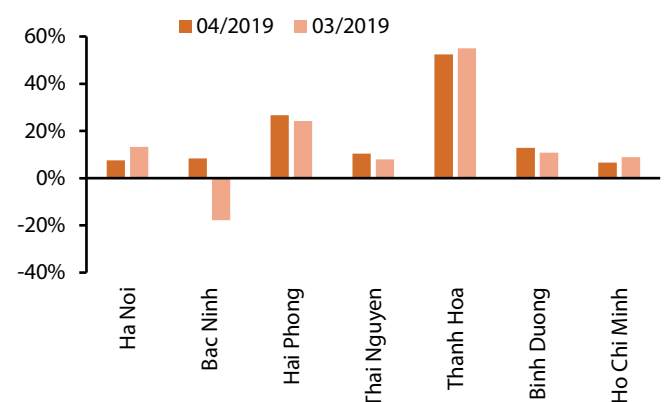
Finally, vehicle production was slower than 2H2018's because of soaring imports. In the first 4 months of 2019, imported cars totaled USD 2.4 billion, up 95.6% YoY. Notably, cars coming from ASEAN and the EU grew 620% YoY and 715% YoY respectively.

Figure 9: Industrial production indices by sectors



Source: GSO, Rong Viet Securities

Figure 10: Industrial production indices by provinces



Source: GSO, Rong Viet Securities

Managing Inflation

The Consumer price index (CPI) rose 0.3% MoM and 2.9% YoY in April. Of which, the transportation sub-index recorded the strongest climb (4.3% MoM) due to two retail gasoline price hikes and seasonal traveling demand. Higher electricity prices (end of March) pushed the household sub-index up 0.6% MoM. In the first 4 months, Vietnam's CPI advanced 2.7% YoY on average, the lowest level in the past 3 years.



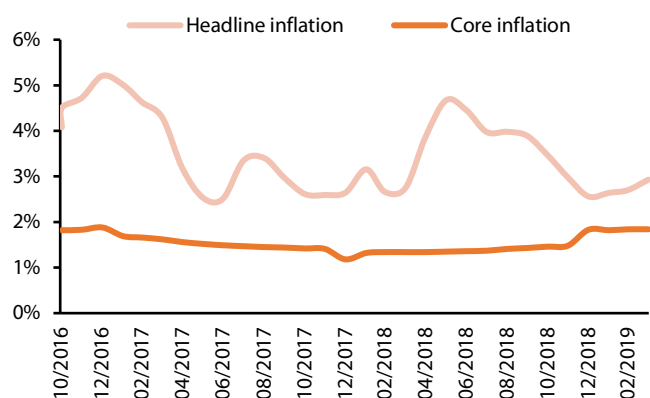
Although inflation is under control, investors should continue to monitor retail gasoline prices, healthcare fees and pork prices.

After Tet Holiday (Lunar New Year), the MOIT hiked RON 95 prices by 25% as crude oil prices rallied while Vietnam's price stabilization fund is running low on funds.

One of the reasons 4M2019 inflation remains modest is healthcare fees were increased less than in previous years, 2017 (+48.8% YoY), 2018 (+22.9% YoY) and 2019 (0.8% YoY). Usually, healthcare fees contribute about half of the total in this 4M period. More price hikes in this segment are expected.

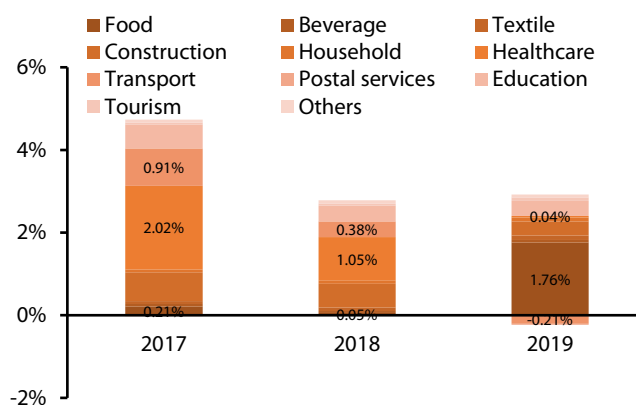
We believe pork prices will increase in the coming months due to a shortage of supply caused the ASF disease. In the last two years, pig breeders have suffered losses and been precautionary for reproducing. Take China as an example, Rabobank forecast that ASF disease results in an ease of a third of China's pork. China's pork prices are taking off.

Figure 11: Inflation



Source: GSO, Rong Viet Securities

Figure 12: Contribution to inflation in the first 4 months



Source: GSO, Rong Viet Securities

SBV net bought USD 8.5 Billion FX Reserves

In the first 4 months, the USDVND rate has moved sideways while the yuan appreciated against the greenback. However, it doesn't mean of safety.

The SBV has been very careful and buying foreign currencies to restore its FX reserves, like a precaution. The SBV declared it net bought USD 8.5 billion so far this year, bringing total reserves to USD 65 Billion. Never before did the SBV manage to purchase this amount in such short time frame. Officials are aware Vietnam's FX reserves are relatively low compared to its neighbors. Much can be traced back to the Asian financial crisis of 1997/1998 which did not really play out in Vietnam. Other Southeast Asian countries prioritized the importance of FX reserves ever since as they serve as a buffer for macro instability.

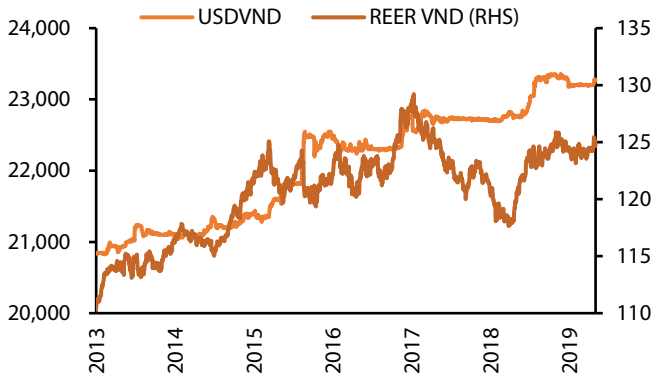
In our opinion, carefulness is important as the current flatten is fragile. There are 3 key numbers. Firstly, the USD index, gauge of the green back's strength, keeps moving around the peak as the US economy is comparatively better than the others. Secondly, Trump's government warns of 25% tax burden put on USD 200 billion goods imported from China. The trade talk is on the way and any worse-than-expected things can make the financial market volatile. Lastly, Vietnam's trade surplus are shrinking due to higher import demand. In addition to machinery, consumption goods, especially automobiles and accessories, soared up. Crude oil and coals share the similar direction.

Net buying foreign currency implies a massive supply of the Dong. Therefore, SBV's withdrawal via OMO channel and VST's G-Bond issue are taking a hand in controlling money flow in the economy. VST planned to issue VND 80 trillion worth of G-Bonds in Q2, which means of an amount of nearly VND 150 trillion will be positioned at VST's vault.

There is a contradiction between large-scale bond issuances and low public investment disbursement. Public investment completed only 15% of the plan in Q1 2019 but big infrastructure projects are scheduled in Q3 and changes in law on public investments are expected to smoothen the disbursement.

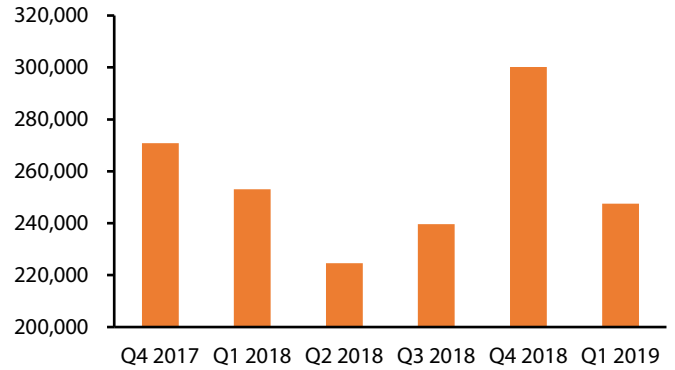
Right now, excess cash is put into commercial deposit accounts. VST's deposit at commercial banks serve as a solution to manage the banking system liquidity.

Figure 13: FX trading rate vs REER



Source: Bloomberg, SBV, Rong Viet Securities

Figure 14: Amounts due to the Government and the State Bank (VND Billion)

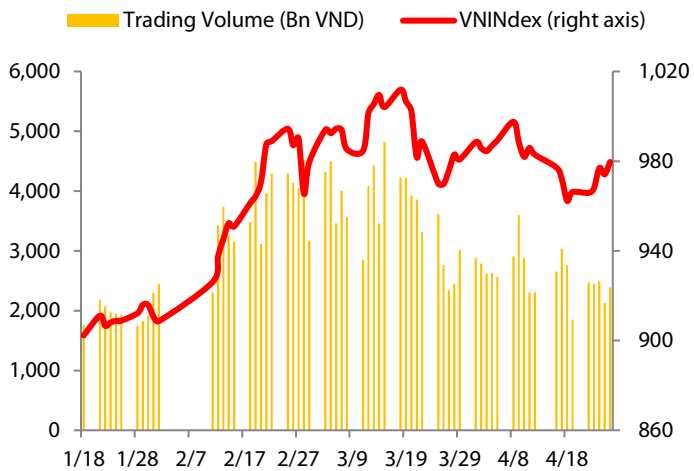


Source: Banks' FS, Rong Viet Securities

VIETNAM'S STOCK MARKET IN APRIL: SIDEWAY FORESEEN

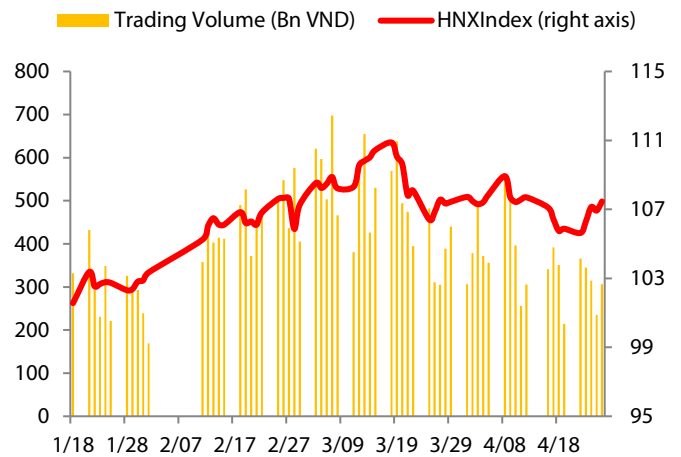
The recovery started from the end of March did not last long, VN-Index turned back down after hitting the 1,000 level. The correction happened across the board, on most of stock groups. VN-Index bounced back after approaching the support level of 960, thanks to large cap stocks.

Figure 15: VNIndex movement in April



Source: RongViet Securities

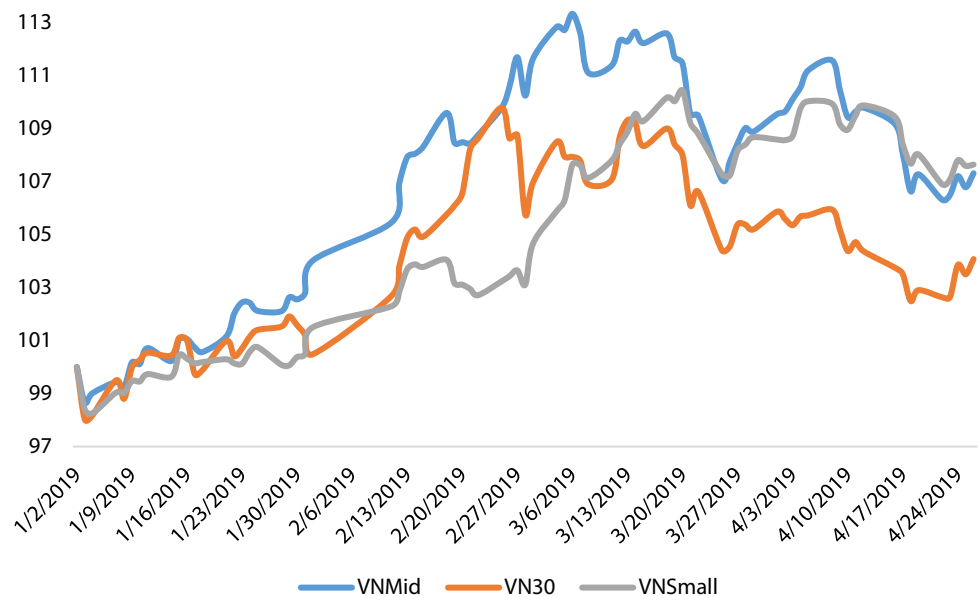
Figure 16: HNXIndex movement in April



Source: RongViet Securities

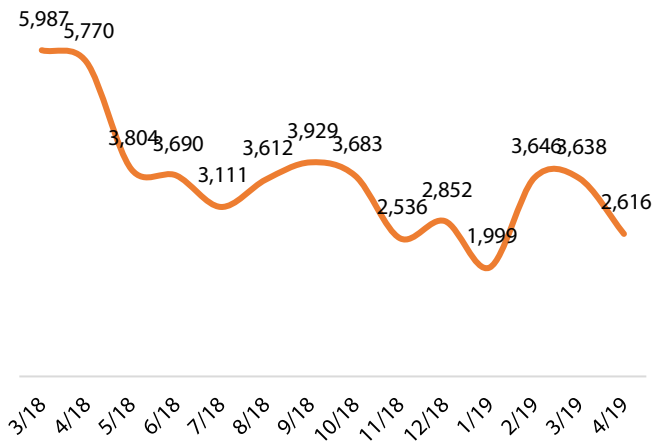
In March, inflows were temporarily moving to small cap stocks when large cap stocks corrected. However, in April, even pennies also suffered the same pressure to decline. VN30-Index, VNMID-Index and VNSML-Index fell 1.1%, 1.4% and 1%, respectively. Along with that, the average liquidity also decreased by 30% to VND 2,616 bn per session. News from the AGM season did not impact much on market, while May is usually "quiet" and there is not much information.

Figure 17: Performances of VN30, VNMID and VNSML indexes year-to-date



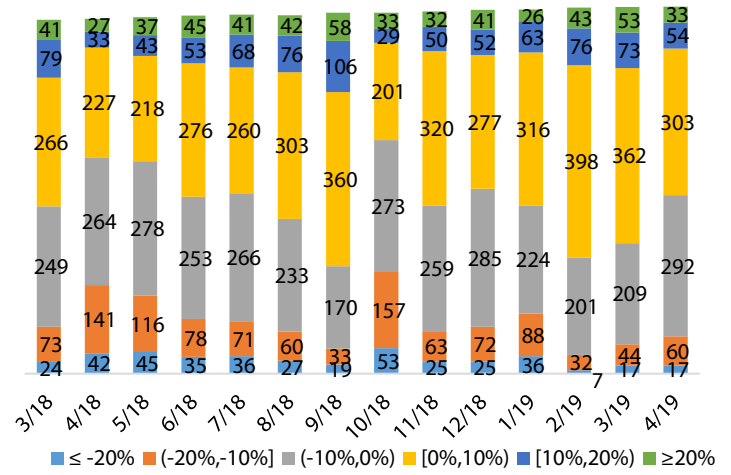
Source: FiinGroup, RongViet Securities

Figure 18: Average monthly order-matching value on HOSE (VND bn)



Source: FiinGroup, RongViet Securities

Figure 19: Number of stocks by performance



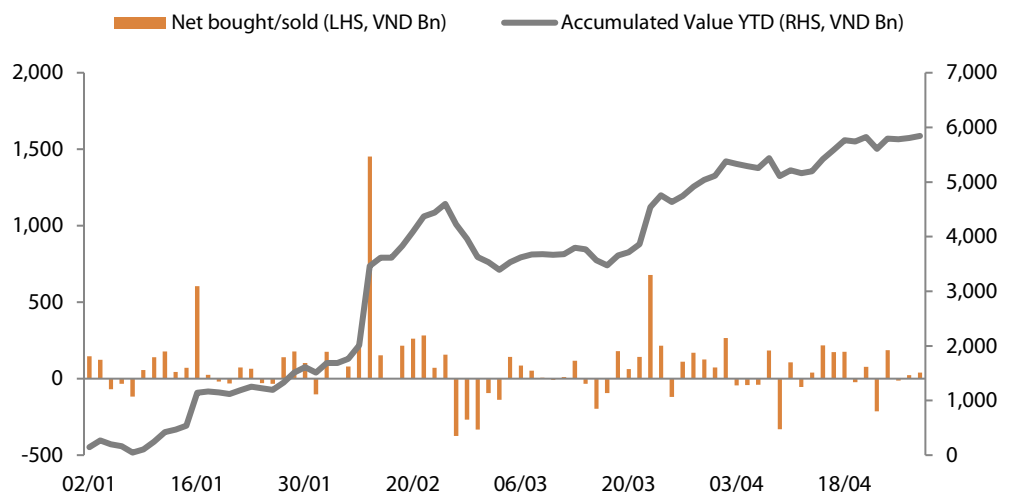
Source: FiinGroup, RongViet Securities

Foreign investors trading

In April, foreign investors net bought with a value of VND 764 bn on both exchanges, just as half as that of March (VND 1,400 bn). Foreign money focused on MSN (VND 452 bn), GAS (VND 319 bn) and VHM (VND 244 bn). On the other side, the top selling stocks were VJC (-VND 388 bn) and VCI (-VND 208 bn). Notably, VFMVN30 fund certificate was only net bought of VND 27 bn after being continuously in the top of most-buying stocks for foreigners since the beginning of this year with a total value of VND 1,500 bn.

However, via order matching on HOSE, foreign investors net bought VND 584 bn in April, compared to only VND 165 bn in March. The buying increased after VN-Index fell to 960 and was a support for the index.

Figure 20: Net trading value of foreign investors

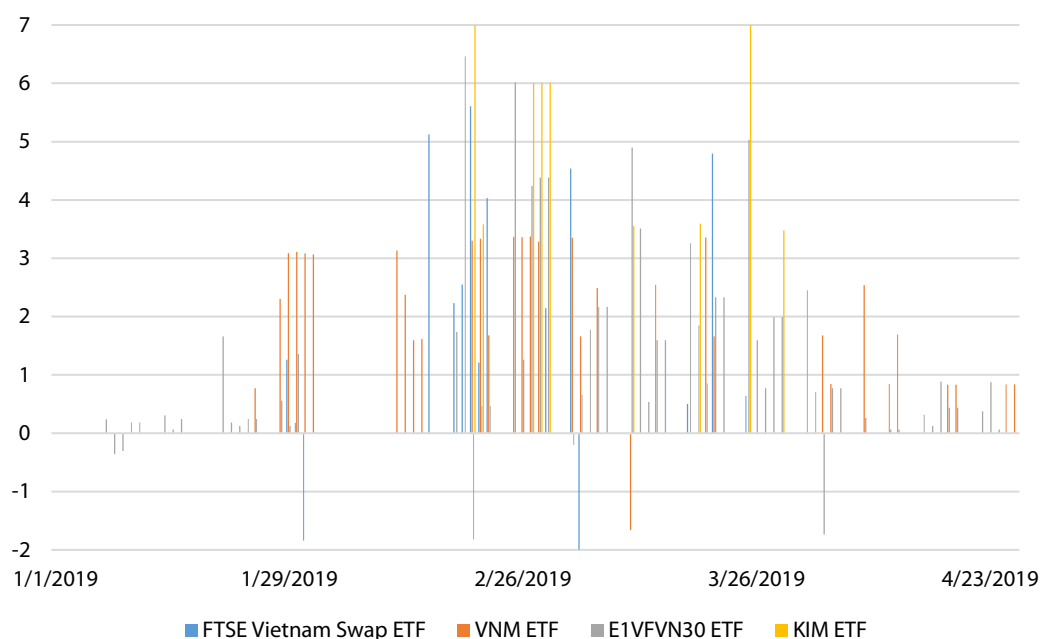


Source: FiinGroup, Rong Viet Securities

Foreign money into ETF funds slowed down significantly in April, with about VND 180 bn into Vietnam via Vaneck ETF and VND 160 bn via VFM ETF, while FTSE Vietnam Swap ETF and KIM ETF stopped receiving new money. Therefore, there was only about VND 340 bn of foreign capital flowed into Vietnam stock market in April, down sharply from VND 2,000 bn in March.

Out of total VND 5,800 bn foreign money injected into Vietnam stock market since the beginning of this year, nearly VND 5,000 bn came from ETF funds, showing the important role of these funds in foreign capital flows into Vietnam.

Figure 21: ETFs' issuance value (USD mn)



Source: Bloomberg, Rong Viet Securities

Table 1: Foreign investors' net trading by sector in both exchanges

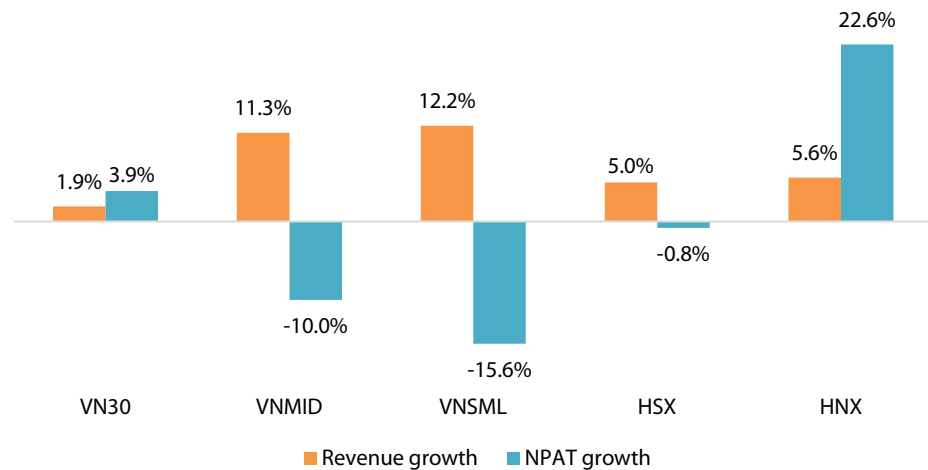
Sector	HSX		HNX	
	Net volume (thousand shares)	Net value (VND Bn)	Net volume (thousand shares)	Net value (VND Bn)
Oil & Gas	6,148	179	1,864	55
Chemicals	-8,899	-164	67	4
Basic resources	1,354	-26	106	-0
Construction and building	2,280	-0	3,042	59
Industrial goods & services	-13	26	160	-2
Automobile & parts	1,041	4	-16	-0
Food & beverage	6,050	498	-222	-3
Personal & household goods	694	42	100	1
Healthcare	-162	-31	157	4
Retail	49	0	-	0
Communication	-300	-33	8	0
Travel & leisure	-3,320	-375	130	1
Utilities	-722	331	-10	-0
Bank	2,019	95	-228	-2
Insurance	-448	-22	-21	-1
Real estate	6,293	553	960	-1
Financial services	-13,944	-412	-322	-11
Technology	-610	-6	-9	0

Sources: FiinPro, Rong Viet Securities

MAY STOCK MARKET OUTLOOK

We start to see a slowdown in earnings. Companies listed on HSX show a 1% decline in 1Q2019 NPAT. Earnings of HNX companies were up by 22%, but mostly thanks to the contribution of a few names including ACB, SHB, AAA, PVS, DGC, and VCG.

Figure 24: Earnings growth of indices in Q1 2019



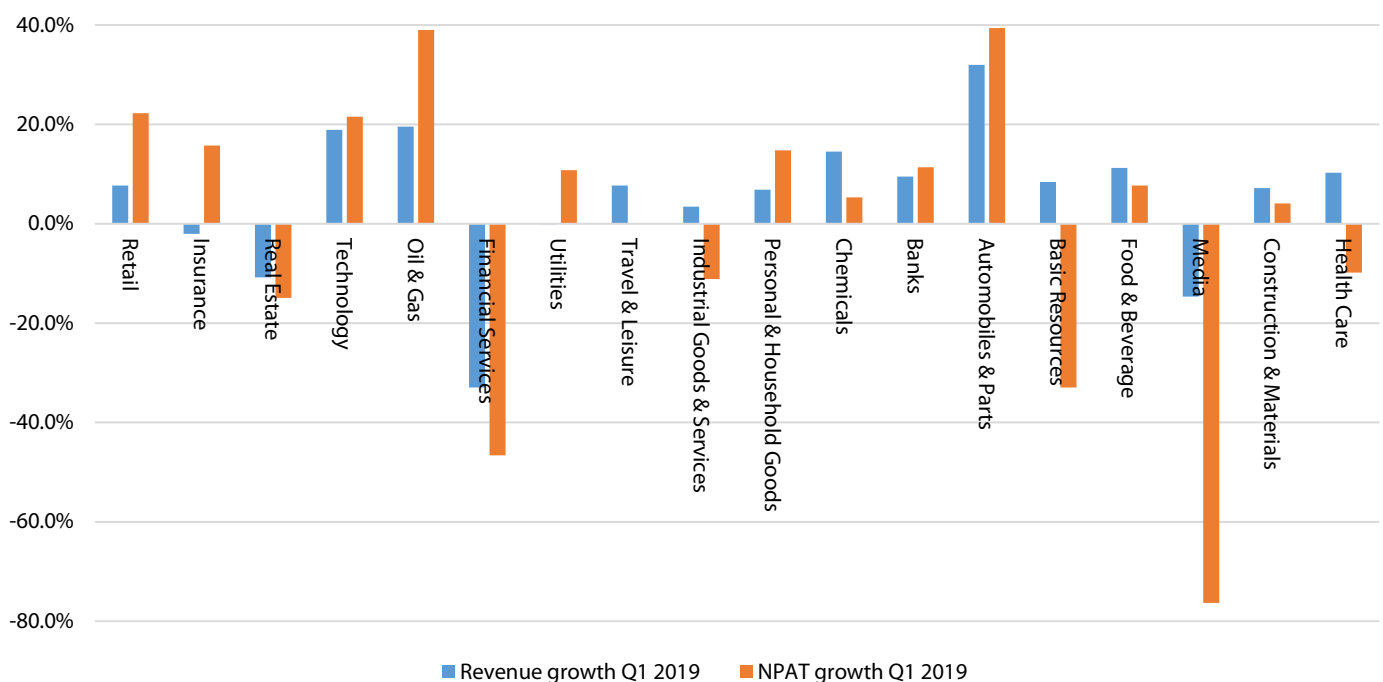
Source: FiinGroup, Rong Viet Securities

By sector, Oil & Gas and Automobile & Parts had the highest growth thanks to PVS, CTF, and SVC.

Banks displayed a diverse picture, in which VCB, STB, MBB, ACB, and SHB still grow well, while CTG, HDB, TCB, and BID had flat earnings.

Financial services, mostly brokerage companies, suffered a huge decline. Recall that the stock market reached its peak on high volume in Q1 2018, so this was expected.

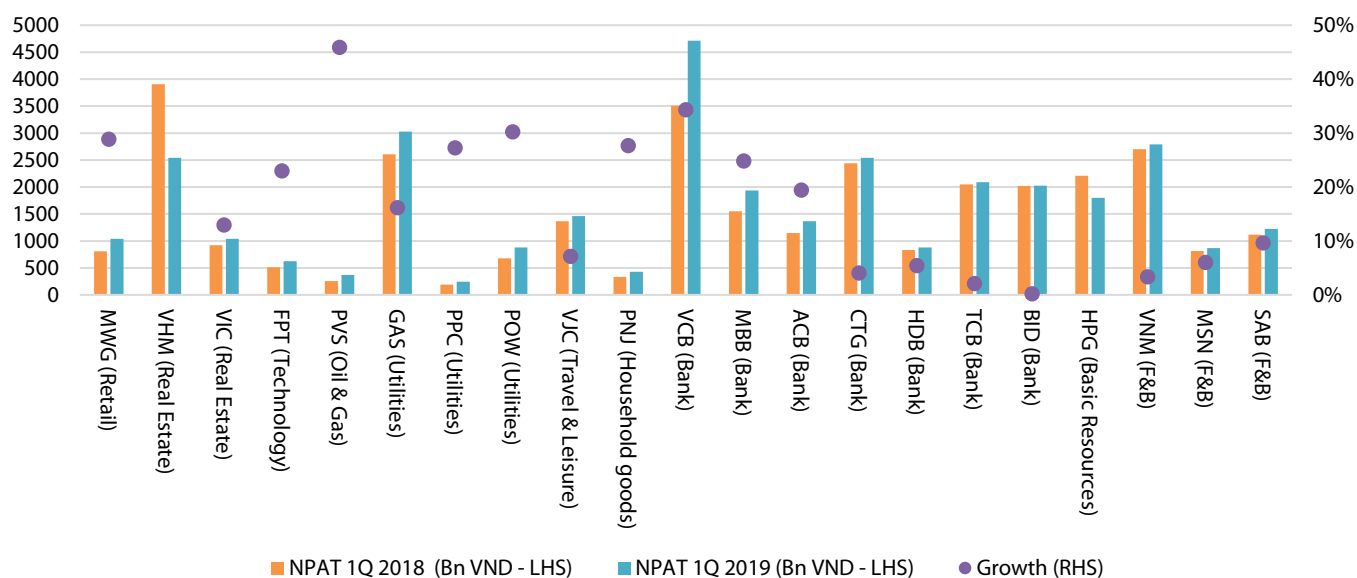
Figure 25: Results by sectors in Q1 2019



Source: FiinGroup, Rong Viet Securities

Result of big names in each sector are as follows:

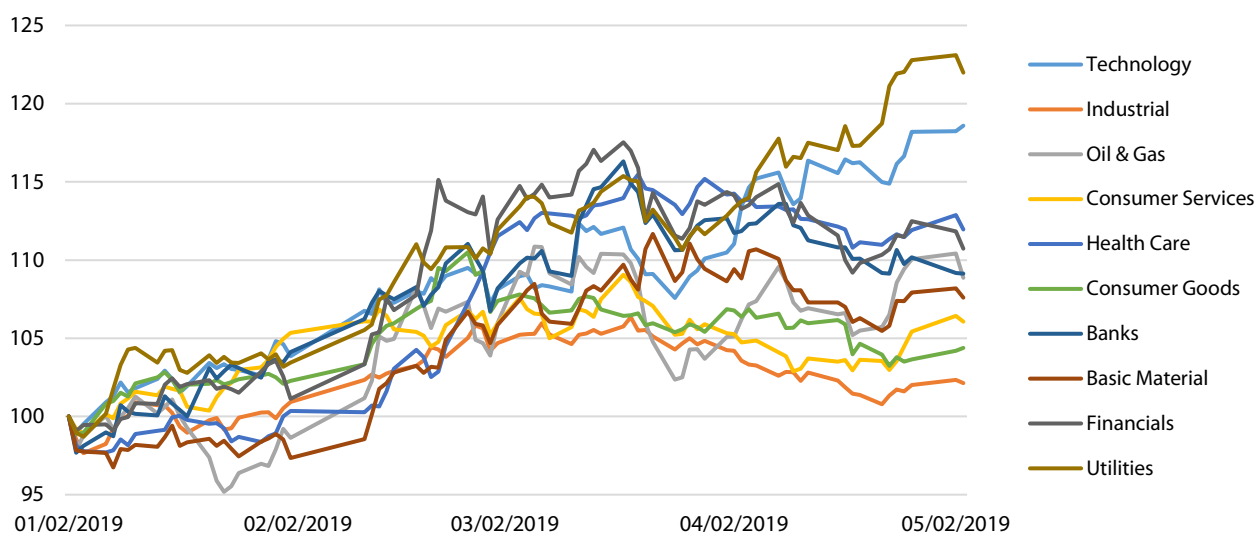
Figure 26: Earnings growth of noticeable companies in Q1 2019



Source: FiinGroup, Rong Viet Securities

Share price performance wise, only Utilities stood out YTD, followed by some sub sectors like textile and fisheries. For other sectors, the performance is rather stock dependent. As with earnings results; the overall picture may not be promising, but there are certainly bright spots. This remains a stock pickers environment.

Figure 27: Sectors performance YTD



Source: FiinGroup, Rong Viet Securities

Low liquidity in recent months suggests investors appear to have lost interest in the market. Thus, despite the increased level of margin in Q1 2019, we do not think it implies a high risk of the market. Trade war tensions remain a key risk and may cause short-term fluctuations.

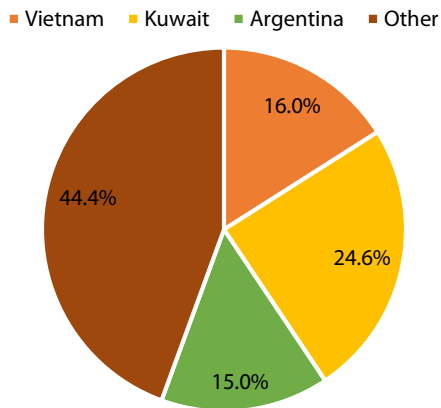
In conclusion, we see few things moving the market. Going forward, market participants could be excited on the impact of Vietnam having a higher weight in MSCI Frontier Market (see detail below). But for now, we think the index will continue to move sideways.

MSCI Frontier Market Story

Little to no impact from Argentina's reclassification

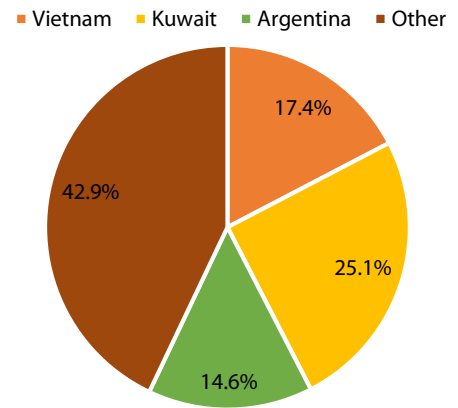
The weight of Vietnam will remain unchanged or slightly decline in both the MSCI Frontier Market Index and MSCI Frontier Market 100 Index due to a 40% cap for the two biggest markets

Figure 22: MSCI Frontier Market Index



Source: MSCI

Figure 23: MSCI Frontier Market 100 Index



Source: MSCI

Positive impact if MSCI Kuwait Index reclassifies to EM in June 2019

If the MSCI Kuwait Index is upgraded to EM status in June, its weight in the MSCI Frontier Market Index would likely be reduced to zero percent from May 2020 to August 2020. By that time, the weight of the MSCI Vietnam Index would increase to 25.8% and 30% in MSCI Frontier Market Index and MSCI Frontier Market 100 Index, respectively. Numbers of Vietnamese stocks included in the indices would increase to 16 and 28 respectively.

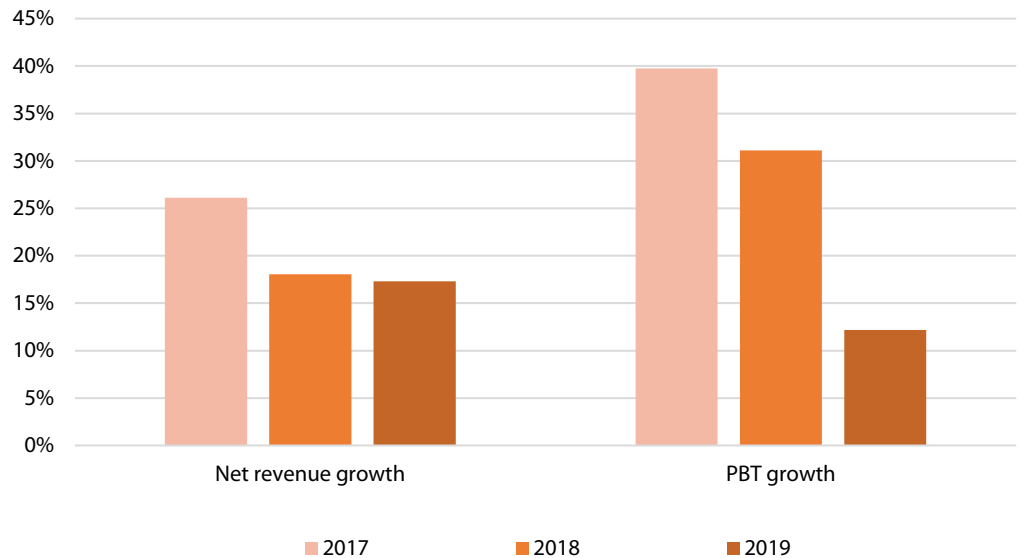
We expect capital from both passive and active funds to flow into frontier markets if MSCI Kuwait Index reclassifies to EM.

Be patient!

We see little supportive news at the moment.

The AGM season has peaked in April as more than 900 companies already held their AGM. Our key takeaway is most companies believe their business will find difficulty to grow at 2017–2018 growth rates. Based on our rough estimates, planned revenue growth (among 925 listed companies) has gradually decreased from 26% in 2017, to 18% in 2018, and to 17% in 2019. Meanwhile, planned PBT growth has gradually reduced from 40% in 2017, to 31% in 2018, and to 12% in 2019.

Figure 28: Business guidance in 2017 – 2019 of listed company on HSX, HNX, and UpCom



Source: FiinGroup, Rong Viet Securities

The most obvious supportive event is MSCI's May 2019 semi-annual review later this month. If MSCI announces to include Kuwait into the MSCI Emerging Market Index, the proportion of Vietnam in the MSCI frontier 100 index will be increased to 30% (currently 17%). If so, there may be around USD 60 – 70 Mn from funds tracking MSCI Frontier to flow into Vietnam. Although this is unlikely to move the VNIndex in a meaningful way, the news may help to support overall market sentiment.

In the short term, we believe the market is facing more threats than opportunities. First, negative news from US – China negotiations may put pressure on global stock indices (especially S&P500, DJ, and Nasdaq) given those indices rallied strongly in first four months of 2019. Second, Vietnam macro indicators have been weakened in recent months. These factors may directly and indirectly affect the Vietnamese equity market.

As such, we believe it is difficult for the market to form an uptrend in May 2019. Having said that, a correction in May would offer a good point to accumulate stocks. Some ideas we suggest for this time are big companies (included in VN30) with strong fundamentals and attractive relative valuations compared to their potential growth in upcoming years.

MBB – TP: VND 30,500 (Upside 39%). MBB is currently trading at VND 21,900, equivalent to an attractive PBR 2019f of 1.2x and about 39% lower than our target price.

MBB set a relatively high consolidated PBT target of VND 9,560 bn (+23% YoY) and parent bank (separate) PBT at 8,345bn (+19% YoY). This means that the bank is expecting its subsidiaries and associates to grow at a higher rate than the parent bank and contribute more to total earnings. The bank expects that MB Ageas Life will reach breakeven point this year (versus a net loss of -

VND 319bn in 2018). Along with MIC's PBT growth target of 180%, the bank aims to raise the contribution of all associates to consolidated earnings to 15% from 9% in 2018.

In 1Q2019, MBB's PBT reached 2,424.1bn (+26.4% YoY), fulfilling 25.4% of the full year guidance. The growth is driven by strong service and net interest income. Particularly, while credit growth at the parent bank was 6.3% YTD, we estimate that MCredit's reached approximately +23.2% YTD. With faster credit expansion, MCredit is driving consolidated net interest income growth to 25.6% YoY, higher than 15.0% YoY growth at the parent bank. We also see that NIM (trailing 12 months) continued to expand from 4.6% in 1Q2018 to 4.8% in 1Q2019, mainly due to the improvement in yields on earning assets while funding costs remain unchanged.

MBB's associates are also driving the growth of service and operating income as a whole. In 1Q2019, separate service income growth reached 58.0% YoY, lower than consolidated growth (140.6% YoY). This was driven by net income from insurance (mainly contributed by MIC and MB Ageas Life) which soared 11 times YoY since 1Q2018. Accordingly, the proportion of service income in total TOI expanded from 7.4% in 1Q2018 to 13.9% in 1Q2019. Regarding total operating income, TOI of the parent bank grew by 16.7% YoY, while consolidated TOI expanded 28.8% YoY.

Operating expenses at the parent bank grew 15.2% YoY but consolidated operating expenses grew 27.3% YoY. As consolidated TOI expanded faster, overall CIR improved slightly from 38.3% to 37.9%. We estimate that the provision expenses of associates increased eight times compared to 1Q2018, from 29.6bn to 244.5bn. As such, even though separate provision expenses only rose 8.7% YoY, consolidated expenses increased 39.3% YoY.

Table 4: MBB's business results in 1Q2019

(VNDbn)	Consolidated				Parent bank			
	1Q 2019	% of TOI	1Q 2018	% changes	1Q 2019	% of TOI	1Q 2018	% changes
Net interest income	4,134.9	75.8%	3,293.3	25.6%	3,461.3	80.6%	3,010.5	15.0%
Net income from services	758.6	13.9%	315.3	140.6%	282.4	6.6%	177.8	58.8%
Net income from other sources	560.8	10.3%	624.9	-10.3%	551.2	12.8%	490.5	12.4%
Total operating income (TOI)	5,454.3	100.0%	4,233.6	28.8%	4,294.9	100.0%	3,678.9	16.7%
Operating expenses	-2,065.7	37.9%	-1,622.9	27.3%	-1,462.7	34.1%	-1,269.9	15.2%
Profit before provision	3,389	62.1%	2,610.7	29.8%	2,832	65.9%	2,409	17.6%
Provision expenses	-964.5	17.7%	-692.2	39.3%	-720.0	16.8%	-662.6	8.7%
PBT	2,424.1	44.4%	1,918.5	26.4%	2,112.2	49.2%	1,746.4	20.9%
NPAT	1,932.6	35.4%	1,548.9	24.8%	1,692.6	39.4%	1,396.6	21.2%

Source: MBB, Rong Viet Securities

MWG – TP: VND 125,000 (Upside 47%). We believe that MWG's PER of 11.x is attractive compared to its potential growth of more than 20% per annum in 2019–20. Therefore, we recommend to Buy for long-term investment, preceding Bachhoaxanh taken-off in 2020.

MWG's 1Q 2019 revenue and NPAT rose 10% and 29% YoY respectively and fulfilled 23% and 29% of their respective full year target. Gross margins in Dienmayxanh (electronics retail shop) improved while Bachhoaxanh (grocery store) made less losses.

While Thegioididong's growth has saturated, Dienmayxanh (accounting for 60% of MWG's total revenue) should drive and prolong mid-term growth. Mobile phone sales grew just 3% YoY in value, while household electronic devices grew 27% in volume and 14% YoY in value in 1Q 2019.

This year, MWG will implement a strategy of focusing on peak seasonal sales. From April 2019, the company will reboost its plan to convert Thegioididong into Dienmayxanh to exploit the sales of new stores effectively in the peak season as well as in the last 6 months. We believe that the electronics segment is still able to maintain growth in the coming years given the industry's growth rate is around 10% per annum. The market remains highly fragmented, with nearly 40% of the market share belonging to small private stores.

Bachhoaxanh achieved break-even EBITDA at the end of 2018 with a gross margin of 18%. However, if including the cost from the distribution center, enterprise level management and

depreciation, this chain still recorded a loss equivalent to 3-4% of revenue. Bachhoaxanh has been trying to improve its gross margin by negotiating higher discounts on FMCG and buying directly from distributors with both fresh food and consumer products. In addition, the company plans to cut logistics costs. This becomes more important as the chain expands to the provinces.

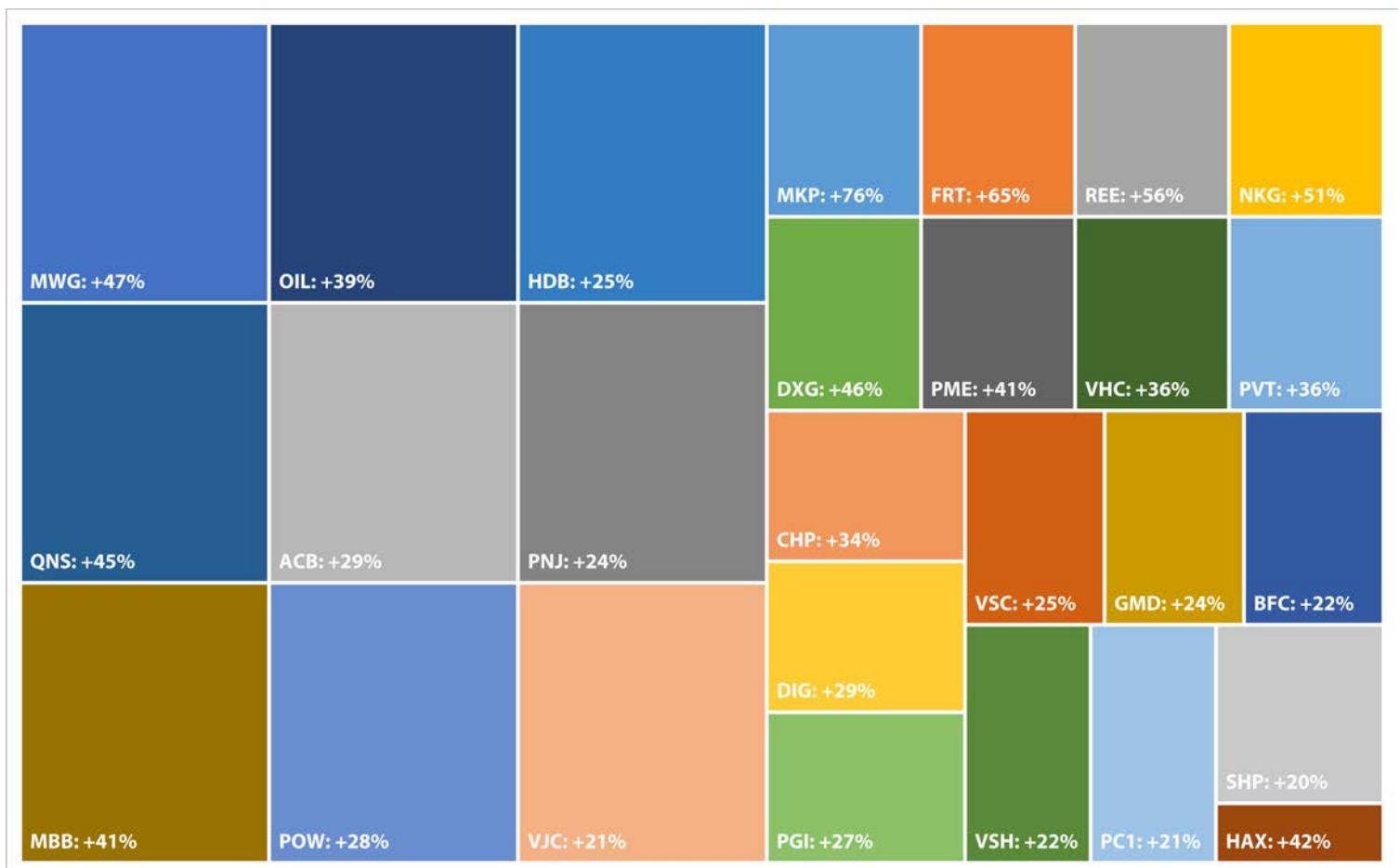
HPG – TP: VND 38,900 (Upside 14.4%). HPG is trading at the PER of 7.6x and EBITDA margin of 27.7%, equivalent to its 3-year average. The stock is a VN30 constituent and directly benefits from off-shore fund inflows into Vietnam.

Due to rising material prices, HPG did not performed well in 1Q2019. High input prices resulted in a reduction of gross margins to 18% from 23% in 1Q 2018. As a result, revenue increased 15% YoY but NPAT decreased 19% YoY in the first quarter. The company fulfilled 22% and 27% of its 2019 revenue and NPAT guidance.

We are anticipating an improvement in HPG's net income starting 3Q2019 following the growth in output and revenue observed in Q1 owing to the new rolling line at Dung Quat. As the first blast furnace at the new plant is scheduled to operate in June, HPG's net profit will grow alongside increased output.

In addition, the domestic steel price recovery will also be a supportive factor. We observed April rebar prices increased 6% compared to January. While other steel companies are struggling, HPG is one of the few producers with the potential to accelerate growth in the remainder of 2019.

Figure 29: Our favorite stocks in May 2019



Source: Rong Viet Securities; Price as of May 3th 2019; Square size: stock's market-cap classification

HIGHLIGHTED STOCKS

Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2018		2019F		2020F		PER Trailing (x)	PER 2019F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
MKP	UPCOM	47	81,900	47,300	76.3	Buy	8.3	-4.2	-13.5	-16.5	-0.6	13.5	11.2	13.2	1.0	3.2	-23.0	4	1.5
FRT	HOSE	152	84,000	52,100	65.1	Buy	21.0	40.0	52.2	63.1	16.6	23.3	10.2	8.0	3.0	3.8	-43.6	101	0.2
REE	HOSE	425	48,400	31,950	56.5	Buy	36.5	26.0	11.2	-1.6	12.7	11.3	5.6	5.4	1.1	5.0	-6.3	859	0.0
NKG	HOSE	51	8,900	6,550	51.1	Buy	18.9	-92.0	5.3	68.4	15.9	175.0	-7.2	15.2	0.4	15.3	-55.5	217	58.0
MWG	HOSE	1,632	125,000	85,900	47.3	Buy	30.0	30.5	22.7	23.2	25.6	23.6	12.0	11.3	3.8	1.7	12.7	2,181	0.0
DXG	HOSE	308	30,063	20,550	46.3	Buy	14.9	39.8	-18.3	3.2	78.4	33.8	6.1	5.8	1.4	0.0	-24.6	1,390	0.5
QNS	UPCOM	529	60,200	42,000	44.5	Buy	9.6	-27.9	17.1	33.0	4.1	-1.8	10.3	7.7	2.2	1.2	3.4	517	36.7
HAX	HOSE	22	19,600	14,900	41.6	Buy	33.1	8.1	19.8	11.3	10.2	16.0	5.2	4.8	1.2	10.1	2.1	137	36.7
PME	HOSE	182	78,100	56,700	41.3	Buy	7.6	19.7	23.0	28.8	15.0	6.8	13.9	11.6	2.3	3.5	-20.8	8	37.9
MBB	HOSE	2,004	30,500	22,100	40.7	Buy	40.9	68.3	23.7	28.4	18.9	24.4	7.3	6.3	1.4	2.7	-10.7	4,381	0.0
OIL	UPCOM	579	18,232	13,100	39.2	Buy	52.0	-13.6	-2.0	-8.6	7.0	1.6	92.1	30.4	1.4	0.0	-18.1	222	43.1
VHC	HOSE	363	123,500	91,500	36.4	Buy	13.7	138.5	8.7	1.9	6.1	15.9	5.1	6.3	2.0	1.4	69.1	802	64.5
PVT	HOSE	197	21,200	16,350	35.8	Buy	-9.0	0.7	39.3	49.1	-5.8	-10.7	7.0	8.1	1.2	6.1	-8.2	348	16.1
CHP	HOSE	136	29,000	22,800	33.8	Buy	32.5	59.2	130.7	N/A	14.2	15.0	13.8	8.1	1.7	6.6	2.7	14	45.6
ACB	HNX	1,605	38,800	30,000	29.3	Buy	22.7	142.5	12.6	15.4	10.3	14.1	7.0	6.5	1.7	0.0	-20.7	2,912	0.0
DIG	HOSE	195	19,500	15,150	28.7	Buy	68.4	31.7	-9.2	26.5	162.8	37.0	11.8	11.3	1.2	0.0	-22.0	787	11.6
POW	UPCOM	1,467	18,400	14,600	28.1	Buy	5.3	107.8	20.5	39.5	2.7	5.8	16.9	12.7	1.3	2.1	0.0	1,678	34.4
PGI	HOSE	64	20,000	16,700	26.9	Buy	3.4	15.6	4.8	20.1	4.3	9.9	10.1	10.9	1.0	7.2	-3.3	3	28.3
HDB	HOSE	1,178	34,000	28,000	25.0	Buy	38.5	136.6	22.2	25.3	17.2	66.5	9.5	7.7	1.7	3.6	-33.3	1,980	4.5
VSC	HOSE	80	44,000	37,300	24.7	Buy	30.1	26.6	-3.0	5.3	-1.9	-7.6	6.7	5.9	1.1	6.7	18.7	278	5.9
PNJ	HOSE	736	126,000	102,700	24.4	Buy	33.0	32.5	30.3	34.6	27.6	27.4	16.0	14.2	4.2	1.8	-7.5	1,265	0.0
GMD	HOSE	334	32,000	26,200	24.0	Buy	4.9	29.3	3.9	-72.1	9.8	31.8	11.3	15.5	1.3	1.9	3.5	1,265	0.0
BFC	HOSE	55	26,800	22,300	22.4	Buy	6.1	0.2	2.7	-30.9	0.9	-1.0	7.9	7.2	1.4	2.2	-21.1	184	35.1
VSH	HOSE	167	22,100	18,900	22.2	Buy	17.5	10.8	101.9	7.7	44.0	7.7	17.3	10.3	1.3	5.3	11.2	1,150	35.9
PC1	HOSE	135	28,200	23,700	21.1	Buy	60.5	90.0	18.2	-7.8	-3.1	21.7	6.5	8.0	1.0	2.1	-15.6	155	10.7
VJC	HOSE	2,753	140,000	118,500	20.7	Buy	54.0	81.0	58.9	54.2	44.0	55.4	12.1	9.2	4.1	2.5	-15.5	4,754	9.4
SHP	HOSE	90	25,400	22,500	19.6	Accumulate	20.3	88.9	-5.8	-14.9	3.0	19.4	10.4	13.4	1.7	6.7	7.7	17	44.0
LTG	UPCOM	85	29,500	24,900	18.5	Accumulate	4.6	-8.1	4.5	3.9	3.6	4.0	5.0	5.5	0.8	0.0	-15.5	44	5.1
CTG	HOSE	3,338	24,300	20,900	16.3	Accumulate	-11.9	-27.1	35.8	16.2	11.3	3.5	14.1	15.5	1.1	0.0	-27.9	4,751	0.0
DRC	HOSE	108	23,500	21,200	15.6	Accumulate	0.0	-0.2	6.5	2.9	4.3	17.5	18.7	19.0	1.6	4.7	-3.7	408	26.2
NLG	HOSE	305	34,258	29,700	15.3	Accumulate	24.8	55.0	-8.2	16.8	-18.3	42.4	7.6	8.0	1.5	0.0	-3.0	1,066	0.0
ACV	UPCOM	7,820	95,300	83,700	15.3	Accumulate	-5.5	-18.1	28.8	66.6	13.2	18.3	25.2	29.6	5.6	1.4	-2.5	400	45.4
KBC	HOSE	278	15,900	13,800	15.2	Accumulate	98.8	27.9	-4.5	-11.5	-6.2	-0.2	10.3	9.8	0.7	0.0	1.5	1,783	27.9
DPM	HOSE	305	19,800	18,150	14.6	Accumulate	0.9	-39.1	16.0	-3.9	12.4	49.9	12.4	12.3	0.9	5.5	8.3	411	26.2
FPT	HOSE	1,323	55,000	50,000	14.0	Accumulate	8.0	47.0	-36.1	1.1	13.0	21.2	11.2	10.4	2.3	4.0	4.1	2,100	0.0
HPG	HOSE	3,112	38,900	34,150	13.9	Accumulate	23.0	10.3	29.5	22.7	9.2	49.1	8.9	7.2	1.7	0.0	-12.0	7,290	9.1
PAC	HOSE	73	38,000	36,500	11.0	Accumulate	12.7	-42.6	9.6	11.4	10.8	7.5	10.4	9.7	2.7	6.8	2.8	16	20.8
STK	HOSE	66	22,300	21,800	9.2	Accumulate	46.6	242.3	21.0	9.4	17.9	17.8	7.4	7.4	1.6	6.9	68.0	134	37.8



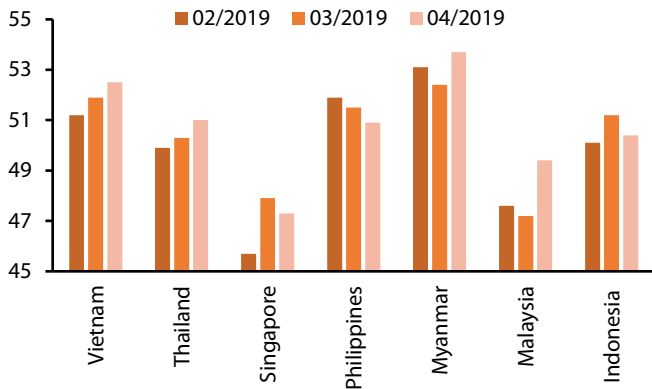
Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2018		2019F		2020F		PER Trailing (x)	PER 2019F (x)	PBR (x)	Cur. Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
VNM	HOSE	9,787	136,000	131,000	7.6	Accumulate	3.0	-0.7	7.1	4.0	7.4	6.4	22.1	23.8	8.1	3.8	-12.5	6,602	40.7
IMP	HOSE	108	53,000	51,000	7.5	Accumulate	15.4	16.0	21.0	26.1	14.7	8.8	17.7	19.3	1.6	3.5	-4.2	54	0.7
NT2	HOSE	333	27,100	27,000	5.9	Accumulate	13.4	-3.5	-0.2	-2.9	2.6	2.9	10.7	10.6	2.0	5.6	12.3	263	25.9
VGC	HNX	387	21,000	20,100	4.5	Neutral	-2.0	-6.0	-1.9	10.2	4.1	10.4	14.6	15.7	1.4	0.0	-10.8	2,729	33.7
BID	HOSE	5,016	35,000	34,200	4.4	Neutral	14.0	8.4	23.4	24.8	6.5	14.6	15.9	17.3	2.2	2.0	1.5	2,235	26.8
PVS	HNX	484	23,800	23,600	3.8	Neutral	-10.5	-22.9	-9.4	19.3	2.3	13.1	9.7	11.9	0.9	3.0	53.4	3,614	22.5
AST	HOSE	116	75,000	75,200	2.4	Neutral	108.0	236.1	27.4	11.8	14.0	-8.9	16.1	15.0	4.5	2.7	-2.8	249	18.5
SCS	UPCOM	397	157,000	162,000	1.2	Neutral	18.6	40.5	27.7	37.5	21.6	26.2	21.5	18.3	10.0	4.3	0.0	219	26.7
HDG	HOSE	162	38,500	39,900	-2.3	Neutral	14.1	-16.0	93.2	31.8	27.9	40.1	4.3	4.7	1.9	1.3	25.5	762	33.2
MSH	HOSE	126	56,000	61,500	-2.4	Neutral	9.7	17.1	10.3	9.8	13.5	4.4	7.2	8.0	2.9	6.5	0.0	264	44.1
VRE	HOSE	3,607	35,000	36,100	-3.0	Neutral	-13.6	-17.2	12.6	23.6	-0.3	12.2	33.9	23.1	2.9	0.0	-4.5	6,814	16.8
VIC	HOSE	15,404	106,661	112,500	-5.2	Reduce	68.4	74.1	7.6	50.0	41.2	106.5	103.6	71.5	6.5	0.0	10.7	4,265	39.7
TCM	HOSE	65	25,500	28,000	-5.4	Reduce	4.5	67.8	-8.8	-33.6	7.4	0.4	6.0	11.0	1.2	3.6	52.2	1,803	0.0
PPC	HOSE	392	23,000	28,500	-10.5	Reduce	14.1	35.3	-0.5	-24.4	3.6	9.4	7.6	11.0	1.6	8.8	77.9	816	34.3
VCB	HOSE	10,613	58,000	66,700	-11.8	Reduce	33.6	61.1	5.7	2.1	13.1	10.5	15.3	19.9	3.4	1.2	13.4	3,578	6.3
NCS	UPCOM	27	30,000	35,700	-13.2	Reduce	15.4	24.2	6.8	-17.0	6.9	7.7	14.3	17.6	2.6	2.8	-11.2	3	47.3
DHG	HOSE	654	83,000	116,600	-26.2	Sell	7.4	-9.5	-2.7	6.6	7.5	9.1	24.7	24.7	5.1	2.6	22.7	1,921	46.0
PHR	HOSE	294	30,200	50,600	-36.4	Sell	40.4	48.5	-9.4	211.4	8.8	-15.0	10.8	8.2	2.5	4.0	127.7	1,319	41.0

(*) Total Return = Stocks' Upside plus dividend yield



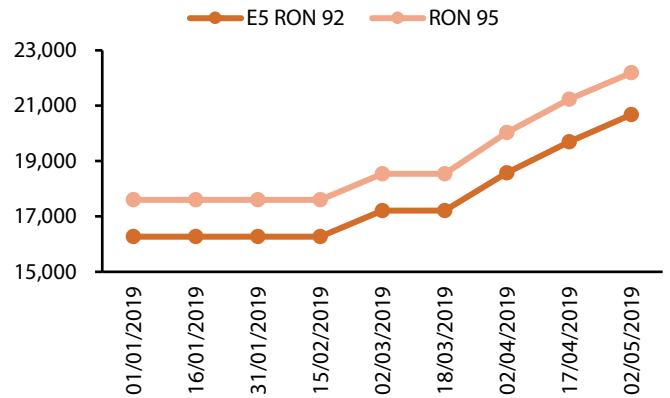
VIETNAM MACRO WATCH IN APRIL

PMI indices in ASEAN



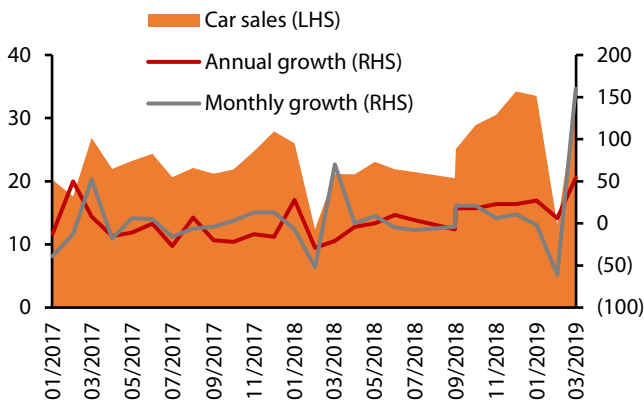
Source: GSO, Rong Viet Securities

Retail gasoline prices



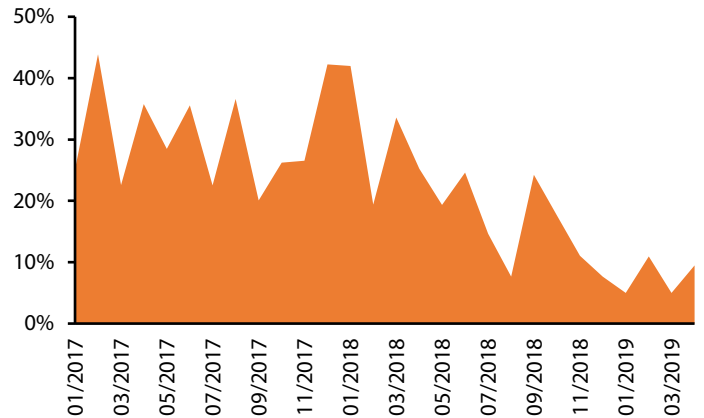
Source: GSO, Rong Viet Securities

Car sales



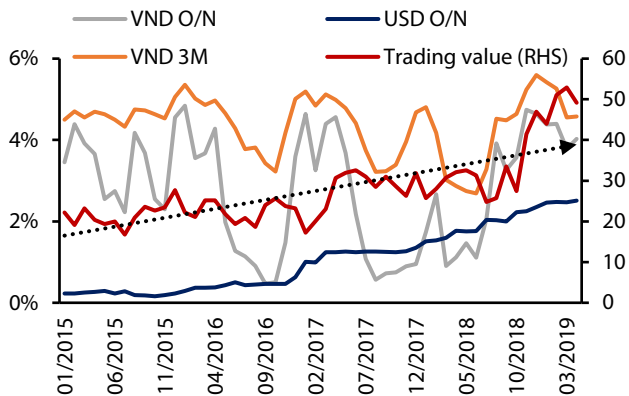
Source: VAMA, Rong Viet Securities

International tourists' growth (% YoY)



Source: Bloomberg, Rong Viet Securities

Interbank market



Source: SBV, Rong Viet Securities

OMO channel (VND Trillion)

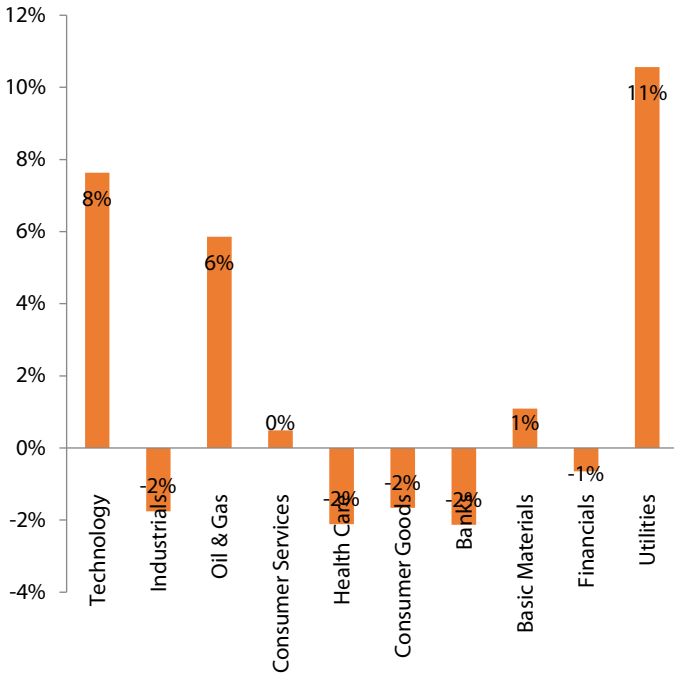


Source: SBV, Rong Viet Securities

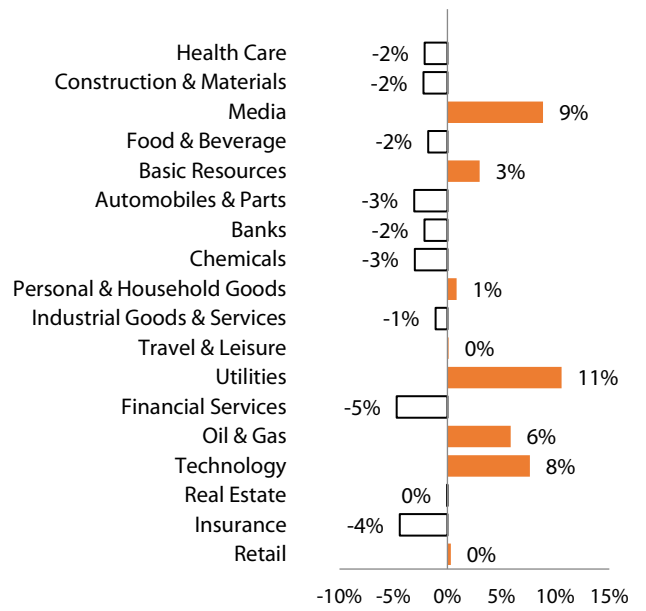


INDUSTRY INDEX

Level 1 industry movement



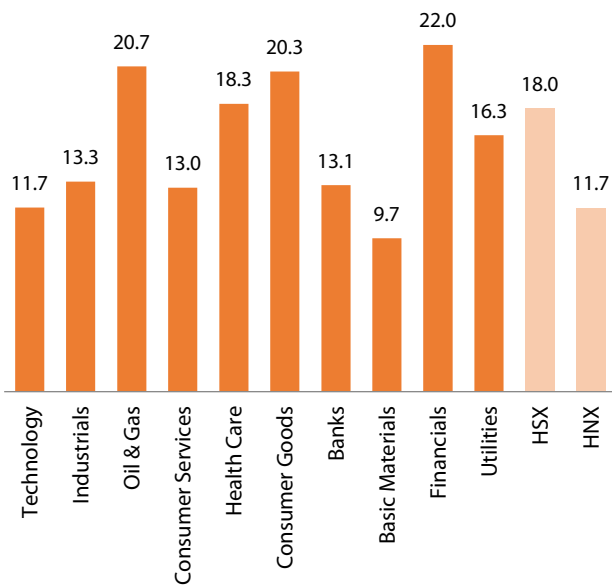
Level 2 industry movement



Source: RongViet Securities

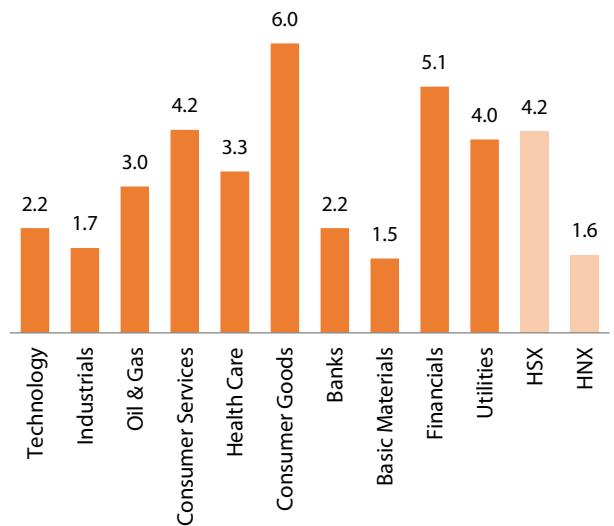
Source: RongViet Securities

Industry PE comparison



Source: RongViet Securities

Industry PB comparison



Source: RongViet Securities



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