

KB RESEARCH

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HIGHLIGHTS OF THE WEEK

The two indices had a positive recovery week, mainly supported by large-cap stocks, while the red color still dominated in small-cap stocks. By the end of the trading week, VN-Index and HNX-Index closed at 979.64 points (↑1.39%) and 107.46 (↑1.49%).

Market Summary

	VNIndex	HNXIndex
Close	979.64	107.46
Change (%)	1.39%	1.49%
Gainer/Loser number	161/219	139/238
Volume (mn)	875.07	186.19
Value (VNDbn)	18,373.96	1,902.70
Change (%)	18.32%	-2.20%

Source: Fynnpro, KBSV

Main movements during the week:

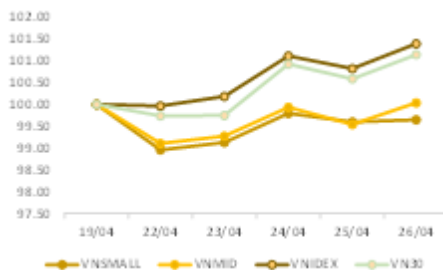
* With the recovery in VIC-VHM-VRE stocks after the previous correcting week, and positive movements in some other bluechips such as FPT, GAS, HPG..., large-cap stocks outperformed the general market (↑14 1.14%), and successfully led the market. However, the force from key stocks still could not help mid-cap stocks (↑0.04%) increase strongly, while small stocks declined slightly (↓35 0.35%).

* Red was the main color seen on the two exchanges HSX and HNX as the cash flow this week was only poured into bluechips, while the majority of mid-small cap stocks continued to be corrected. Trading value (excluding put-through transactions in VNM, VJC, HNG...) kept falling to a low level due to investor sentiment before the holiday.

* Considering sector movements, gaining sectors this week had a dramatic growth (software & computer services, petroleum & gas distribution, steel and food... climbed 7.5%, 6.8% and 5.3% respectively...), which overwhelmed the declining sectors (Aquaculture, Food and Insurance... lost -3.3%, -2.3% and -1.2%, respectively.) FPT shares strongly contributed to the growth of software & computer services stocks, while impressive business results in 1Q (↑23%) still attracted a large amount of cash flow. Oil and gas stocks suffered from the profit-taking activities, but remained steady and surged thanks to supportive information from the world oil prices after the US announced to impose stronger sanctions on Iran. In addition, steel stocks also had a breakthrough week after Canada officially did not impose offensive taxes on Vietnam's steel. In contrast to the steel industry, the seafood industry again received negative news after the US still kept the anti-dumping duties on Vietnam's tra-fish, causing the stocks to suffer a sharp slump, especially HVG. The securities sector was also under strong selling pressure after a series of large-cap enterprises dropped sharply over the same period (SSI, HCM, VCI...). Other sectors generally moved under the influence of information from AGM and 1Q business results in recent weeks.

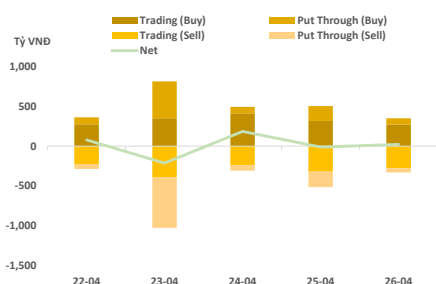
* Foreign investors reduced their net buying volume to only VND63 billion. Put-through transactions increased to about 38%.

Stock group movements



Source: Fynnpro, KBSV

Foreign investor trading



Source: Bloomberg, KBSV

Sector performance

Top 5 best performers	Change	Major stocks in sector
Software & Computer Services	7.50%	FPT CMG SGT CMT...
Gas Distribution	6.80%	GAS PGD PGS PGC...
Steel	5.30%	HPG HSG NKG POM...
Tires	3.10%	DRC CSM SRC
Brewers	3.10%	SAB BHN THB HAD...
Top 5 worst performers	Change	Major stocks in sector
Investment Services	-1.00%	SSI VCI HCM VND...
Clothing & Accessories	-1.10%	TCM STK FTM EVE...
Insurance	-1.20%	BVH PVI BIC BMI...
Food Products	-2.30%	VNM MSN SBT KDC...
Fishing	-3.30%	VHC ANV FMC HVG...

Source: Bloomberg, KBSV

Next week forecast:

The AGM season in the 1Q/2019 has reached the halfway point as there are 384 listed companies on both exchanges publishing their business performance. As we concerned in recent notes, unpromising business performance in the 1Q seems to exert certain impacts on the overall market sentiment. Particularly, statistics about 1Q business results released by 384 enterprises show the profit growth of these just increased 1.4% (compared to a rise of 23% in 1Q/2018). The companies that saw the most negative profit growth include VHM, VPB, HPG, HCM, VCI, DPM... Meanwhile, VCB, STB, GAS... still have quite good growth rates. In the next two or three weeks, the market will receive more information about business performance of more enterprises, which may help us to update a more

Performance VNINDEX vs ASEAN 4

Market	P/E trailing 12 month	YTD (%)
VNIndex	16.47	9.8%
SET Index	17.32	6.6%
JCI Index	20.57	3.3%
PCOMP Index	19.23	5.4%
FBMKLCI Index	20.53	-3.1%

Source: Bloomberg, KBSV

Top market movers

Most positive	Points
GAS	+3.848
VIC	+3.500
VHM	+3.062
Most negative	Points
VNM	-1.698
BVH	-0.619
VPB	-0.262

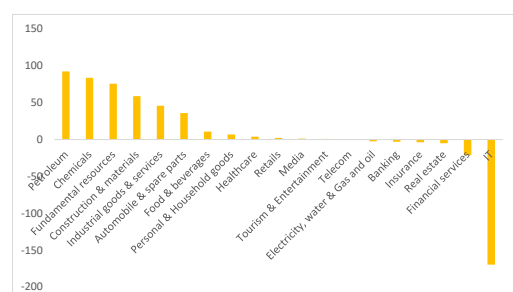
Source: Bloomberg, KBSV

Top transactions by foreign group

Most bought	Value (VNDbn)
VHM	57.15
VRE	31.95
SAB	11.00
Most sold	Value (VNDbn)
VIC	28.19
SSI	18.10
VJC	11.71

Source: Bloomberg, KBSV

Foreign trading by sector



Source: Finnpro, KBSV

comprehensive picture of business performance in listed companies. However, in general, positive effects are unlikely to be created by this year's 1Q AGM season. Meanwhile, the market and investor sentiment will probably be affected by external factors including oil prices, fluctuations of the USD and US stock indices (Dow Jones, S&P 500).

Besides, the Vietnam macro picture also started to show burning signals which are potential CPI hikes in the 2Q/2019 after the adjustment of oil and electricity prices and the increase in pork prices; rebounding inter-bank interest rates amid 1.9% increase of credit growth in the 1Q/2019; and gaining USD causing pressure on exchange rates.

Regarding the market movements in the short term, more positive signals have gradually appeared in the last sessions of this week with market recovery in terms of points, and market breadth. We believe that the negative information from 1Q/2019 business results has been fully reflected in the previous correction of the general market. The two main indexes are expected to have a recovery span in the next one or two weeks. However, with the liquidity of the market falling to a low level, in the short term, it should only be expected to be a short-term recovery, while May is the month of very little information and market sentiment is often affected by the "sell in May & go away" effect.

HIGHLIGHTS OF THE MARKET

The USD has set a new peak of 2019 in the market this week, showing its power against other key currencies. Since early year, the DXY has gained 0.9%. Previously, many analysts had worried Fed's prudent interest rate hikes could become a big obstacle to the USD. Nevertheless, other central banks seems to be more prudent than Fed, especially ECB. When the EU economies tumbled and liquidity stayed low, ECB will not only keep low interest rates but also consider implementing more loose measures in the next period. The economic slowdown is another thorny issue in other economies, urging the central banks in these countries to delay interest rate raises. Therefore, the superiority of the US economy compared to the rest of the world has created an attraction for the Dollar, making this currency skyrocket recently. In addition, the US 10-year bond yields are also an advantage for the Dollar as it is currently at 2.52% and much higher than the equivalent bond yields of developed countries. Typically, the bond yields of Germany and Japan are below 0% while the bond yields of Australia and Canada are also below 2%.

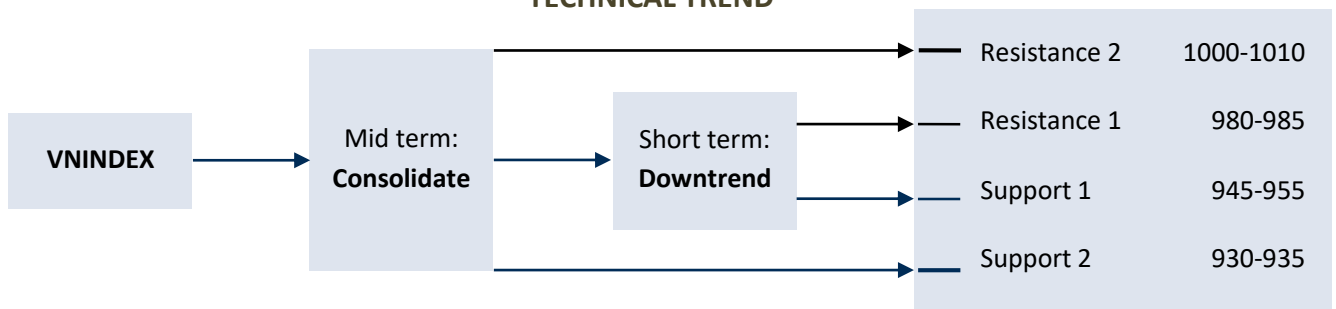
The uptrend of DXY put domestic exchange rates under pressure, and pushed unofficial and inter-bank interest rates up strongly this week. After a long period of accumulation below the buying level of the SBV, the balance of the Dollar system became insignificant and created room for exchange rates to rebound in the short term. However, investors should not be too worried about exchange rates as the trade balance still remained surplus of USD620 million if accumulated from the beginning of the year, disbursed FDI capital maintained growth, the prospect of attracting FII from large privatization deals, the difference of VND-USD interest rates stayed high (1.5 - 1.7%). Besides, the purchase of USD8.35 billion added into foreign exchange reserves from the beginning of the year will also raise the SBV confidence in exchange rate control.

TECHNICAL ANALYSIS

This week, VN-Index was in a rebounding phase after showing positive reactions at support zone 960 –MA (50) of the weekly time frame. This is the third time since February 2019, VN-Index was supported and successfully surged at this support zone. Noticeably, according to our observation, this time, VNINDEX has just cut below the neckline of the head and shoulders pattern before recovering, which created a "bear-trap" for many investors. Therefore, the recovery will put a correcting pressure on investors who sold at the bottom. At the same time, the formation of Bullish Engulfing candlestick chart pattern on the weekly time frame also strengthened the scenario of the market's recovery trend after the holiday.

Nevertheless, the uptrend of VN-Index has not been advocated by momentum indicators when RSI is under the neutral point of 50 and MACD is below the signal line. The next resistance threshold will be around 985-990 because this is the convergence zone of DMA (20) and DMA (50). After that, according to Ichimoku model of the week, VN-Index will encounter a thick cloud with strong resistance zone around 1,000 in the middle of the cloud. Therefore, in the recovery process, the market will soon experience shaking in these areas. In general, the market is still in the recovery trend from the middle-term bottom at the beginning of the year. Therefore, investors are recommended to continue to apply the strategy of buying in advance (at support) and sell later (at resistance), but should limit buying at high price areas in sharp gaining sessions of the market.

TECHNICAL TREND



INVESTMENT PORTFOLIO RECOMMENDATIONS

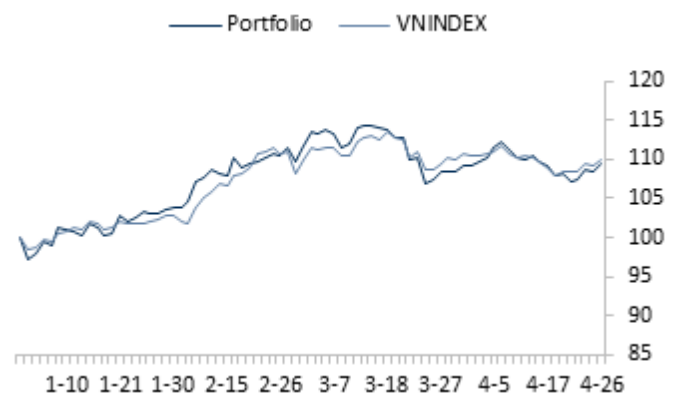
Investment Note

(1) The portfolio for mid-term investment (3-month at least) or may be flexible depending on the market movement.

(2) Profit taking threshold is +30% and cutting loss level is -15%.

(3) The fixed proportion of stocks in the portfolio is 100% (the proportion of each stock is equal) to make a comparison with VNINDEX. Investors should consider the general market trend to have a good proportion allocation and risk management.

Portfolio's performance vs VNINDEX



Stocks	Date of recommendation	Closing price	Daily returns	Accumulative returns	Main investment catalysts
VHC	18/04/2019	94.9	0%	0%	<ul style="list-style-type: none"> Vinh Hoan JSC (VHC) is the largest tra fish exporter in Vietnam with an estimated market share of 50% in the US, which is the most valuable market. The company will benefit from the long-term growth trend of global fishery consumption amid a decrease of wild-caught supply. The rising demand, unfavorable weather conditions and a decline in white fish supply caused constraints in tra fish market, and boosted VHC's profit margin in 2018. This trend is forecast to continue in 2019. Tra fish market position is enhanced amid the US-China trade tensions and the EU-Vietnam Free Trade Agreement (EVFTA) in the future. In the 3Q/2018, the United States imposed 10% tax on tilapia imported from China and could increase to 25%, which helps to reduce the competitive pressure of tilapia on Vietnamese tra fish in the US market. The elimination of the looming import tariff of EVFTA is also an advantage for tra fish industry.
PNJ	22/03/2019	97.3	-1.9%	-3.2%	<ul style="list-style-type: none"> Jewelry retail sales has witnessed a high growth as the number and value of the purchase orders increased. In 2018, PNJ jewelry retail sales surged 41%, supported by the estimated increase of 34% in the number of transactions and 5% gain in the average purchase value. Given the advantage of the available customer base, the segment of watches and accessories of PNJ is strong enough to be successful as the watch market in Vietnam has no large distribution enterprise despite gaining high value. Watches are expected to account for 5% of total revenue gained from PNJ contracts in 2022.

					<ul style="list-style-type: none"> ▪ The negative operating cash flow of PNJ in the previous years is resulted from the store system expansion, and the inventory increase. It is expected that PNJ will have a positive operating cash flow from 2019.
BMP	05/03/2019	46.8	-2.6%	-11.9%	<ul style="list-style-type: none"> ▪ The current price of BMP stocks is quite attractive as BMP is the leading company in plastic pipe industry, with healthy financial status, sales policy with the most attractive 15% discount on the market, and stable dividend payment history. ▪ After two consecutive years of decreasing profit, BMP profit is expected to rebound in 2019 thanks to a slight increase in production (+6%) and profit margin (+0.6%) given that the prices of PVC compound manufacturing input materials are lower than the 2018 average. Besides, the direct competitor HSG no longer has many promotion policies as before due to its own difficulties. ▪ Export potential to Thailand and the support of managing shareholder Nawa Plastic is a favorable factor for long-term prospects of BMP business operation.
TCB	04/03/2019	24.25	-2.0%	-8.8%	<ul style="list-style-type: none"> ▪ Operating effectiveness has been continuously improved, which helped the bank to be ranked at the top group in 2018. TCB achieved this success thanks to the strategic value chain of Vingroup - Masan - Vietnam Airlines ecosystem combined with the economic growth oriented by export, consumption and real estate investment. ▪ The bank is currently the pioneer in some core business segments: Market share ranking No.1 in mortgage loans; advisory and brokerage involved in corporate bonds; bancassurance fee; ranking at the top in transaction banking growth. Effective operating model and dynamic BOM are the premise for the current result. ▪ Strong capital base, guaranteed asset quality and the viable strategy are the foundation for TCB to keep its growth momentum in 2019.
KBC	23/01/2019	14.4	-1.0%	3.6%	<ul style="list-style-type: none"> ▪ FDI from Korea, Taiwan, and Japan – mainly absorbed by industrial plants has been rising sharply thanks to the shift of factories' location from China to Vietnam. ▪ The demand for industrial land lease in KBC strongly increased in 2018-2019. In 2019, the area for lease is forecast to be 120 ha (+14% yoy), in which there is 70 ha of Quang Chau Industrial Plant and 30 ha of Nam Son Hap Linh Industrial Plant. ▪ Gross profit margin still stays high – with the average of 58% in 2018-2019. ▪ Phuc Ninh Urban Area Project may gain VND1,000 billion of revenue 2019. Profit margin may reach 75%. ▪ Lower the number of long-term loans. Loan/equity ratio is 28%.

					<ul style="list-style-type: none"> Industrial plant projects of affiliated companies in Hue, Da Nang will be the attractive point to investors in the long-term after Northern industrial plants run out of land source in the next 2-3 years.
MBB	18/12/2018	21.55	0.2%	4.9%	<ul style="list-style-type: none"> NOII to continue gaining traction in 2019. The current strong NFI from insurance services was mainly driven by the non-life segment through Military Insurance Corporation (MIC). A strong CASA ratio and increasing retail book (ex MCredit) are drivers for continuous NIM expansion. We believe NIM has headroom to expand from its current high level of 4.5%, given the CASA ratio will remain at a high level and the loan yield gap between ACB and MBB has been closing since 2014. Though funding costs could inch up related to valuable papers issuance in 2019F, we expect it to still be managed below 4% due to its current strong CASA ratio. MCredit is still finding its feet but funding advantage increases odds of success. We believe MCredit can triple its loan book in 2018 from a low base, contributing ~1.8% to the consolidated book. Half of MCredit's current funding comes from Shinsei and thus provides significant flexibility in chasing market share in the key cash loan market.
REE	11/10/2018	31.35	-0.9%	-4.1%	<ul style="list-style-type: none"> In 2019, profit will likely increase by 9%-10% due to the dramatic rebound of electromechanical segment (58%) compared to the low basic level in 2018. This is achieved thanks to REE provisions, the positive growth of 37% in office for lease segment, and successful operation of E-town Central. Profit growth in the long term is maintained thanks to new M&A deals (in electricity and real estate segment). With expected EPS in 2018 at VND5,500/share, REE is comparatively low with ROE reaching 18,6%.
FPT	6/9/2018	48.5	0.0%	12.5%	<ul style="list-style-type: none"> Software processing which is the main force of software development segment has been thriving in most of the key markets - Japan, United States, Asia Pacific, European. The acquisition of Intellinet in the U.S allows FPT to provide strategic package IT services to customers, especially in digital transformation projects. FPT profit is forecast to maintain growth rate at over 20% until 2020. With the forecast EPS in 2018 of VND3,500/share, FPT shares are traded at attractive P/E.
GMD	22/8/2018	25.85	-0.4%	6.8%	<ul style="list-style-type: none"> Potential business growth is the key driver for the bounce back of stocks, combining with the divestment of real estate projects or information about VIG divestment at the company.

- Increase of expected return; attractive long-term valuation. The operation of Nam Dinh Vu Phase 1 project will be the driving force for revenue growth in 2019-2020. The project has increased GMD's handling capacity from 1,250,000 teus to 2,000,000 teus, a rise by 60%. According to the plan, the occupancy rate for 2019 is 80% and 100% in 2020.
- Logistic profit will grow with a support from CJ Logistics. With the deeper involvement of CJ Logistic, the management expects to bring better growth motivations for the logistics sector.

PVS 15/8/2018 22.3 -2.2% 29.7%

- Stock price has started to recover after a dramatic and prolonged decline.
- The price is still low compared to the potential for recovery and growth as the major projects of the oil and gas industry has officially kicked off such as Block B - O Mon, Su Tu Trang phase 2, petrochemical complex Long Son.
- In case that oil price rallies and stays at over USD60/barrel, higher than the average breakeven point of Vietnam at about USD55/barrel, the launch of these projects is only a matter of time.

ECONOMIC CALENDAR

29/04	USD PCE Core (MoM)
30/04	CNY Composite PMI (APR)
01/04	USD FOMC Rate Decision
02/04	USD Factory Orders
03/04	USD NFP

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