

KB RESEARCH

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HIGHLIGHTS OF THE WEEK

The unfavorable news from the trade negotiation has affected the sentiment of domestic investors, creating a strong sell-off in large-cap stocks. This time, buyers were quite cautious and stood out of the market, causing VN-Index and HNX-Index to have a strong dropping week, closing at 952.55(↓2.22%) and 105.86(↓0.95%).

Main movements during the week:

Large-cap stocks led the downtrend in the market, with a large discount (↓2.12%). Decreasing momentum from the key stock groups also spread to small and medium cap stocks, but the impact was not strong. Small and medium cap stocks had a better trading week than VN-Index despite a fall of -1.28% and -0.84% respectively.

Red color dominated the HSX and HNX when the number of decliners overwhelmed. Besides, the liquidity on the two exchanges was always low, except for the fifth session with a sudden trading session due to the large trade agreement of VHM, partly expressing the negative sentiment of the general market.

Regarding sectors' movements, the sectors that declined last week had a remarkable decrease (Insurance, Petroleum & Gas Distribution, Mining... shed -9.1%, -6.3% and -5.4%... respectively), which overwhelmed the increasing sectors (Garments, Coal Mining, Cement... gained 4.3%, 2.2% and 1.5%... respectively). In particular, BVH, with more than 60% of ESOP shares issued in 2018, is free to transfer. This was the main factor causing Insurance stocks to plunge. In addition, the adjustment of world oil prices also put Gas & Oil Distribution stocks on pressure. Mining stocks, particularly KSB stocks, were negatively affected by the news of interest rate decrease by 19% in Q1. On the other hand, the Textile stocks gained due to the benefits from trade war. The remaining stocks were influenced by market sentiment.

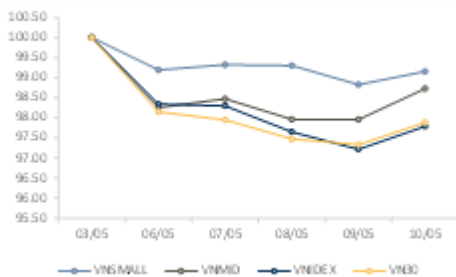
Foreign investors turned net sellers with trading value of nearly VND480 billion. Put-through transactions accounted for a large proportion (over 70%) typical in VHM stocks.

Market Summary

	VNIndex	HNXIndex
Điểm số	952.55	105.86
Thay đổi (%)	-2.22%	-0.95%
Số mã tăng/giảm	94/286	93/284
KLGD (triệu CP)/phiên	899.36	213.8
GTGD (tỷ VNĐ)/phiên	21,544.20	2,429.90
Thay đổi (%)	235.7%	254.5%

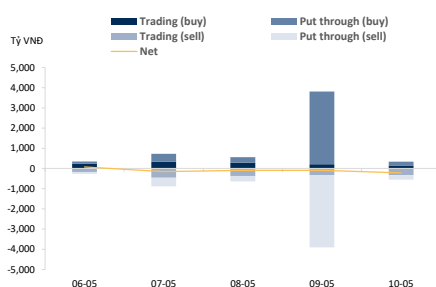
Source: Finnpro, KBSV

Stock group movements



Source: Finnpro, KBSV

Foreign investor trading



Source: Bloomberg, KBSV

Sector performance

Top 5 best performers	Change	Major stocks in sector
Clothing & Accessories	7.50%	TCM STK FTM EVE...
Coal	1.80%	NBC TVD HLC TC6...
Cement	1.80%	HT1 BCC BTS HOM...
Tires	1.70%	DRC CSM SRC
Containers & Packaging	1.40%	INN SVI MCP VBC...
Top 5 worst performers	Change	Major stocks in sector
Bank	-3.70%	VCB BID CTG VPB...
Plastics	-5.20%	AAA RDP DAG HII...
General Mining	-5.40%	KSB HGM BMC BKC...
Gas Distribution	-6.30%	GAS PGD PGS PGC...
Insurance	-9.10%	BVH PVI BIC BMI...

Source: Bloomberg, KBSV

Next week forecast:

Due to the lack of domestic supportive information, Vietnam's stock market is quite sensitive to the world information, especially the US-China trade negotiations. This is also the main reason why the Vietnam stock market last week saw consecutive declines in low liquidity. The slight recovery on the 6th day according to our assessment is only a "technical" recovery session and not a reliable signal for the market's upward trend. We think that the market will need another downswing to reflect all the risks from US-China trade negotiations before rebounding from strong support areas at lower prices.

Performance VNINDEX vs ASEAN 4

Market	P/E trailing 12 month	YTD (%)
VNIndex	16.49	7%
SET Index	17.25	5%
JCI Index	19.94	0%
PCOMP Index	18.84	4%
FBMKLCI Index	20.23	-5%

Source: Bloomberg, KBSV

Top market movers

Most positive	Points
SAB	+0.814
EIB	+0.331
TPB	+0.308
Most negative	Points
VHM	-6.441
GAS	-2.683
BID	-2.271

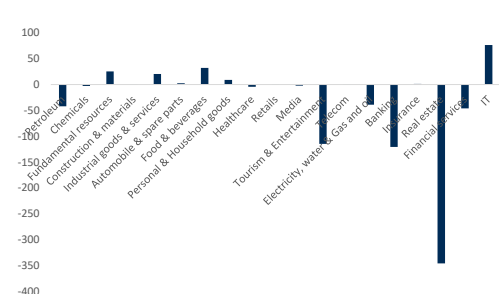
Source: Bloomberg, KBSV

Top transactions by foreign group

Most bought	Value (VNDbn)
FPT	78.2
E1VFN30	54.9
MSN	53.9
Most sold	Value (VNDbn)
VJC	127.9
VHM	91.8
DXG	74.0

Source: Bloomberg, KBSV

Foreign trading by sector



Source: Finnpro, KBSV

For domestic information, many new factors have emerged in the last few weeks that threaten the stability of exchange rates and inflation such as the increase in electricity and gasoline prices, and the strengthening of the USD in the market... In addition, business results in 1Q have shown signs of a decline, especially in small and medium-sized stocks of real estate, securities, steel..., are also exerting adverse impacts on market sentiment. However, we still see a bright point in some stocks of utilities, consumer goods, consumer service ... and expect 2Q business results of this group of enterprises will have more positive signals.

In the short term, we still have a prudent view on market movements next week. In the scenario that the market continues to correct deeply, some stocks fall into an attractive buying zone, investors are recommended to accumulate stocks with basic characteristics and stable business operations.

HIGHLIGHTS OF THE MARKET

The world markets saw a wobbly trading week as there were negative signs of the trade negotiation. A strong disagreement in the "openness" of China Law has emerged between the US and China, which the US considered the key chain in this negotiation. Therefore, China's "systematic edits to a nearly 150-page draft trade agreement" made Trump angry, leading him to declare a 25% tax impose on USD200 billion of Chinese goods from 0:00 on May 10 if the two sides do not reach an agreement. On Thursday, Mr. Trump surprised the market by saying that Chinese President Xi Jinping had "sent a beautiful letter" and the two presidents could still have a direct phone call with each other. However, a surprise did not come as trade talks on Friday did not make any progress and the 25% tax rate was officially imposed on Chinese goods. In response to this move from the US, Beijing announced it would have "necessary countermeasures." Although the China's retaliation method and effective date have remained unknown, we believe that China will once again stop importing US agricultural commodities - a direct hit on American farmers. Escalation tension in the future will affect more or less the negotiation process. We expect the two sides will still come to a trade deal in the 2Q.

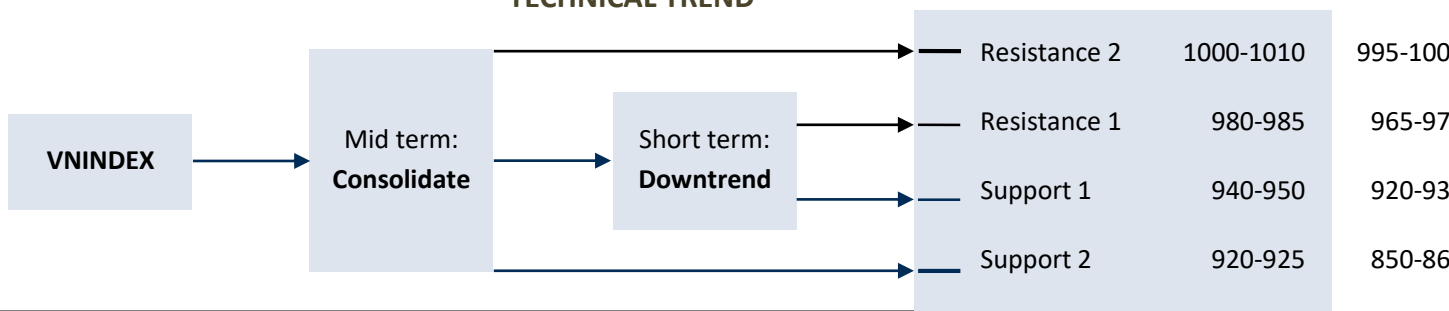
We have observed an interesting thing that the Dollar was suddenly sold this week although investors often seek haven assets like the USD when the level of risk increases. This can be explained by the US PPI released on Thursday, which fell slightly, leading to CPI may not rise as expected by the market. Analysts had earlier hoped that rising oil prices could put pressure on CPI this month. If CPI growth is slow, we expect the DXY will continue to correct.

TECHNICAL ANALYSIS

Influenced by adverse information from the US-China trade war, the market returned to the downward trend this week and set a new bottom in the last three months. Some negative signals should be noted. In particular, the VN-Index has just cut the important SMAs, especially SMA (100), and SMA (200) and also penetrated into the thick cloud Ichimoku while the two lines Tenkan and Kijun are both going down. In addition, momentum indicators including RSI, MACD and Stochastic also fell, continuously creating lower bottoms. Therefore, the scenario of a potential decline of VN-Index in the following week should be taken into account.

However, VN-Index has a strong mid-term support area right at 935-940 due to the convergence of Fibo 50% support (based on the rising span from March 01, 2019) and Kijun-Sen on the weekly time frame. In addition, the downward span from the top from early March has a relatively low relief – much like a correcting span rather than a decline in. Furthermore, futures market, after a staying in a much lower region compared to the basic index, started to rise, signaling the increase in the expectation of a market recovery. Therefore, investors are recommended to take advantage of declining sessions to gradually reopen some short-term positions in the portfolio, focusing on target stocks that have fallen to the strong support area.

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

14/05	EUR German ZEW Survey Expectations (MAY)
15/05	CNY Retail Sales (YoY) (APR)
16/05	USD Housing Starts (APR)

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