

## MARKET WRAPS

The market this week ended the gaining trend from the previous weeks after failing to surpass the important support level at 1,000 and due to more disadvantages from the international market. At the end of the week, VN-Index and HNX-Index closed at 991.1 (-0.23%) and 103.7 (-2.54%) respectively.

### This week key movements

\* In terms of stock groups, all 3 groups fell simultaneously, and mid-cap stocks saw the sharpest fall (-0.54%), much stronger than the market's decline (-0.23%). Large-cap stocks, though still receiving good support from positive business results, were under pressure of profit taking after surging sessions this week, thereby causing this group of stocks to drop -0.29%. Small-cap stocks did not change significantly, just going down slightly by -0.09%.

\* The VN-Index was covered in red. Liquidity this week was improved with an increase of 7%.

\* In terms of sectors, their moves heavily depended on the business performance of the Q2. Sectors that saw a strong gain were *Personal goods* + 5.6% (TLG), *Plastic, rubber & fiber* + 4.8% (especially PHR). On the other hand, *Computer services* and *Home appliances* recorded a decrease of 4.1% and 5.1% respectively.

\* Foreign investors turned to net-sell this week with a net selling value of VND461 billion. Remarkably, there was a large put-through agreement of VNM in July 31 session.

### Next week viewpoint:

The announcement of Q2 business results has brought significant positive impacts on the market. In particular, positive results beyond expectations in banking and Vingroup stocks helped related stocks grow strongly in price, and became the main motivation to help the market gain this weeks. However, the effects of Q2 performance are also weakening, along with the correction of VN-Index last week, which made this index to end the gain after 4 consecutive weeks. Movements on the international market are also becoming more unfavorable, including the Fed signaling not to reduce interest rates as much as expected as well as the US adding 10% tax to USD300 billion Chinese goods – causing trade tensions to escalate further. With less favorable conditions, the VN-Index will not likely to increase strongly next week.

## KBSV RESEARCH

Tung Le

Market Analyst

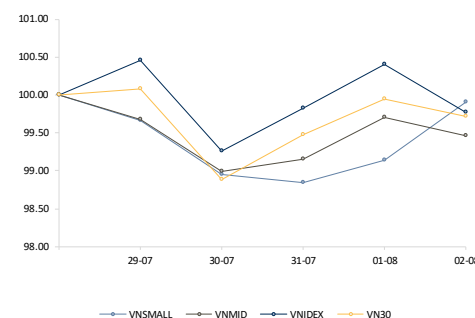
[tungla@kbsec.com.vn](mailto:tungla@kbsec.com.vn)

### Market Summary

	VNIndex	HNXIndex
Close	991.1	103.7
Change (%)	-0.23%	-2.54%
Gainers/Losers	142/213	104/143
Volume (mn/session)	879.5	151.93
Value (VNDbn/session)	21,642.12	1,972.38
Change (%)	7%	-4%

Source: FinnPro, KBSV

### Stock group performance



Source: FinnPro, KBSV

### Sector performance in the week

Top 5 best performers	Change	Major stocks in sector
Personal Products	7.50%	PNJ, TLG, LIX, NET...
Commodity Chemicals	4.80%	PHR, AAA, DPR, HRC...
Marine Transportation	4.40%	PVT, VTO, GSP, VIP...
General Mining	4.10%	KSB, HGM, BMC, DHM...
Trucking	3.10%	TCL, VNT, VSA, TCO...
Top 5 worst performers	Change	Major stocks in sector
Oil Equipment & Services	-3.20%	PVS, PVD, PVB, PVC...
Hotels	-3.50%	VNG, OCH, SGH, DAH...
Containers & Packaging	-3.70%	INN, SVI, MCP, SDG...
Furnishings	-4.10%	RAL, GDT, DQC...
Computer Services	-5.10%	CMG, UNI, TST...

Source: FinnPro, KBSV

### Sector performance in the month

Top 5 best performers	Change	Major stocks in sector
Commodity Chemicals	12.50%	PHR, AAA, DPR, HRC...
Specialty Retailers	10.80%	MWG, FRT, DGW, COM...
Building Materials & Fixtures	9.00%	VCS, HT1, BMP, PTB...
Computer Services	8.70%	CMG, UNI, TST...
Personal Products	8.60%	PNJ, TLG, LIX, NET...
Top 5 worst performers	Change	Major stocks in sector
Investment Services	-4.20%	SSI, HCM, VCI, VND...
Oil Equipment & Services	-5.30%	PVS, PVD, PVB, PVC...
Clothing & Accessories	-5.70%	STK, TCM, TNG, FTM...
Conventional Electricity	-5.90%	PPC, NT2, VSH, CHP...
Containers & Packaging	-6.40%	INN, SVI, MCP, SDG...

Source: FinnPro, KBSV

## HIGHLIGHTS OF THE WEEK

**Commercial banks in turn corrected lending interest rates for many enterprises from August 1.** This is the second reduction in VND lending interest rates this year. Previously, state-owned commercial banks (including Vietcombank, BIDV, Agribank and VietinBank) have lowered VND lending interest rates for enterprises in priority sectors by 0.5%/year in early 2019.

Compared to the previous decrease, the value and effect of this time will be stronger, as in addition to state-owned commercial banks, there will also be the participation of large private joint-stock commercial banks. Specifically, from now to the end of 2019, Vietcombank, BIDV, VietinBank, and Agribank will cut the ceiling lending interest rate from 0.5%/year for customers in priority areas according to SBV's regulations. Techcombank and VPBank reduced 0.5% short-term loan interest rates for SMEs.

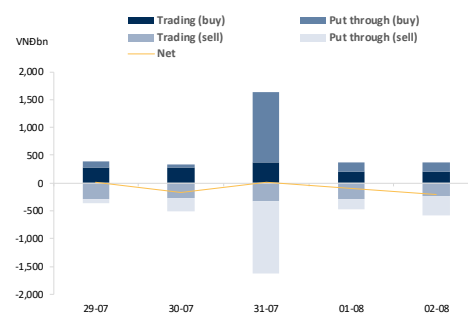
Although the deposit rates in the medium and long term have inched up, the mobilization interest rates at 4 state-owned commercial banks currently holding dominant market shares have not changed much. With the surplus liquidity in the system and the decreasing pressure from inflation and exchange rate, the SBV actively managed monetary policy in a more loosening way to promote economic growth. Previously, on July 19, the SBV also lowered the 7-day bond interest rates to 2.75%, down 0.25 point compared to the previous sessions. In addition, the US Federal Reserve (Fed) may also lower the operating interest rates on the evening of July 31.

**The IIP in July has recovered slightly compared to that in June with a 5.9% MoM and 9.7% YoY increase.** Mining sector increased slightly (4.4% YoY) thanks to surging coal mining and electricity production and distribution (10.5% YoY) to serve the demand of electricity consumption of the people are 2 factors that help IIP increase faster. IIP of processing and manufacturing industry remained high (7.5% MoM, 10.4% YoY); however, compared to the same period last year, there was a decrease.

**The PMI in July 2019 reached 52.6 points**, reaching the highest level this year with the number of new orders reaching the fastest increase within 7 months. In particular, Vietnam's PMI trend has gone against ASEAN's PMI trend since May 2019, when trade disputes between the US and China hindered global trade flows. IHS Markit affirmed that if PMI is still around the current level in the remaining months of the quarter, it is estimated that based on PMI, the production output can achieve a 2-digit growth in the Q3.

**CPI in July rose by 0.18% MoM and the average CPI in the first 7 months climbed by 2.61% YoY** - the lowest increase in 7 months in the last 3 years. However, the core inflation in July rose to 2.04% YoY. The average 7-month core inflation reached 1.89% - approaching the target of 2% of the Government - showing that the room for SBV to loosen monetary policy is not much. Food, foodstuff and education (up 2.34% and 6.48% YoY respectively) are the two main contributors to the July CPI (0.33% and 0.22% MoM).

## Foreign investor trading



Source: Bloomberg, KBSV

## Top buy/sell by foreign investors

Top net buyers	Net buying value (VNDmn)
VHM	78,479
PLX	70,323
MSN	39,772
Top net sellers	Net selling value (VNDmn)
VJC	282,279
VNM	187,134
STB	55,614

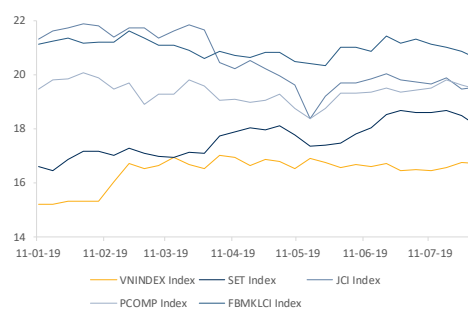
Source: Bloomberg, KBSV

## Top market movers

Top 3 best performers	Points
VHM	2.673
VCB	0.656
NVL	0.495
Top 3 worst performers	Points
HVN	-1.153
GAS	-1.132
CTG	-0.935

Source: Bloomberg, KBSV

## P/E Vietnam vs regional market



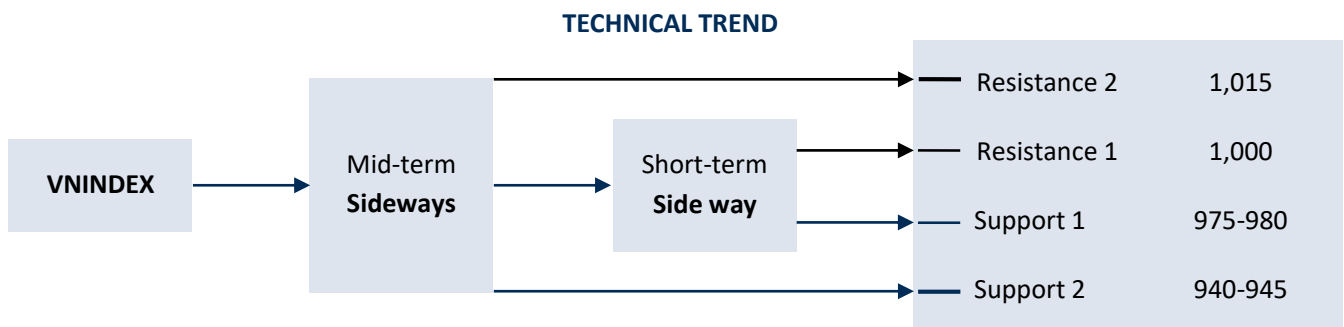
Source: Bloomberg, KBSV

## TECHNICAL ANALYSIS

VN-Index this week reversed to fall, especially with a plunge of 1.6% on Tuesday, after challenging the psychological resistance level at 1,000 points - this is also the 3rd failure since March 2019. Although there was a recovery and more balanced trading in the following sessions, we found some risks are increasing:

- The resistance area around 1,000 points will continue to put more pressure on the market, especially in the context of "lack of momentum" to break through, reflected in the move of RSI and Stochastics momentum indicators reaching the overbought zone.
- There was a divergence between price movements and some momentum indicators. Although the price index created a higher level, momentum indicators like RSI and MACD dropped, warning about a potential reversal.
- The Doji candle pattern reversed to form on the weekly time frame while VN-Index is challenging the upper boundary of the Bollinger band, leaving open the possibility of a reversal. On the daily time frame, despite efforts to recover at last session of the week. The closing prices of the day were lower than the lowest level of the previous day, which was not strong enough to remove the negative impacts of the dropping gap at the beginning of the session.
- The ADX index of the weekly time frame fell to a record low level, at 10.5, while Bollinger Band continued to narrow, making it more difficult for stock prices to surge in the next 1-2 weeks.

Investors are recommended to take advantage of recovery sessions, especially if VN-Index can surpass 1,000 points again next week to take profit of short-term trading positions. Investors should buy again partially then when the market corrects and goes back to the remarkable support levels - it is possible to refer to the VN-Index's close support level at 975-978 points.



## INVESTMENT PORTFOLIO RECOMMENDATIONS

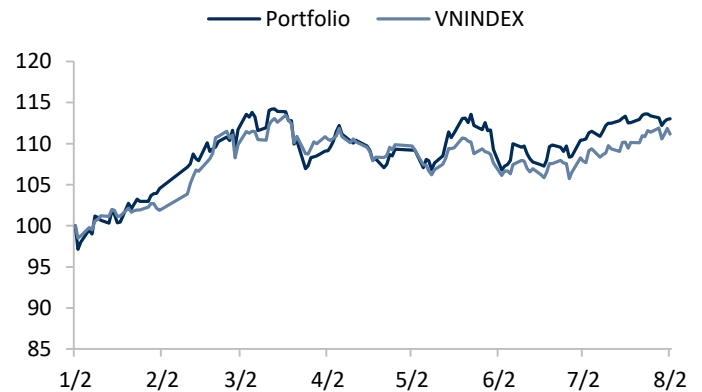
### Investment Note

(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
NLG	3/6/2019	31	0.0%	5.8%	<ul style="list-style-type: none"> <li>Nam Long Group (NLG) has remained its leading position in mid-high end housing development with reasonable prices. The main product lines are Ehome, Valora and Flora. In addition, NLG also cooperated with business partners with strong financial potential from Japan to develop large urban areas (UA.) The company benefits from healthy financial status with low loan ratio thanks to approaching investment capital from foreign investors.</li> <li>In the next period, NLG determines to become the largest UA developer with by cooperating with famous Japanese partners to develop its projects, including Mizuki Park UA, Akari City UA, and Waterpoint UA. These are all large projects, which are expected to have a positive contribution to Nam Long profit.</li> <li>In 2018-2019, Nam Long has accumulated more landbanks with the total area of 236.5ha in Dong Nai and Hai Phong provinces. These are all potential landbanks in the future.</li> </ul>
BVH	5/6/2019	83	-1.4%	13.9%	<ul style="list-style-type: none"> <li>Mathematical reserve provisioning relief. As anticipated, the Government has issued Circular 1/2019/TT-BTC, which allows life insurance companies to apply a slightly less conservative discount rate to reserves. The Circular was issued in January and became effective on February 16. This should reduce liabilities and increase book value, helping to reduce the reported PB ratio.</li> <li>Maintaining the competitive advantage by focusing on expanding agency network instead of bancassurance channel. The difference of this strategy compared to others of foreign</li> </ul>

					<p>life insurance companies is to promote long-term exclusive bancassurance deals.</p> <ul style="list-style-type: none"> <li>More than 12 million shares were released from ESOP in early May 2019, causing a sharp increase in supply, negatively impacting stock price movements, helping BVH price to be more attractive.</li> </ul>
PLX	5/6/2019	65	0.0%	11.3%	<ul style="list-style-type: none"> <li>In the short-medium term, the profit from core business of PLX is expected to grow stably, in line with the increasing oil and gas consumption rate at 5% (PLX has currently owned 48% domestic oil market).</li> <li>In the long term, PLX's prospects depend on the strategy of adding value-added services through the system of gas stations. Currently, PLX's gas stations have sold insurance packages for vehicles, and provided gasoline purchase cards and motorbike care services. In addition, the room for developing a convenient store system at gas stations is still quite large</li> <li>Dramatic profit is expected to be gained from the merger of HDBank and PGBank.</li> </ul>
VHC	18/04/2019	89	-0.3%	-4.2%	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
PNJ	22/03/2019	80.4	2.8%	6.6%	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>

					<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>
MBB	18/12/2018	21.95	-0.2%	6.8%	<ul style="list-style-type: none"> <li>▪ 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).</li> <li>▪ 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.</li> <li>▪ 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.</li> </ul>
REE	11/10/2018	33	-0.9%	0.9%	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Profit growth in the long term is maintained thanks to new M&amp;A deals (in electricity and real estate segment).</li> <li>▪ With expected EPS in 2018 at VND5,500/share, REE is comparatively low with ROE reaching 18,6%.</li> </ul>
FPT	6/9/2018	48.8	0.9%	29.4%	<ul style="list-style-type: none"> <li>▪ Software processing which is the main force of software development segment has been thriving in most of the key markets, including Japan, United States, Asia Pacific, and European. The exported software segment is expected to gain 25% in the next three years.</li> <li>▪ The growth of Telecom is projected to remain stable at 15% thanks to subscriber growth and pay-TV segment which will be profitable from 2020.</li> <li>▪ FPT profit is forecast to maintain a growth rate at over 20% until 2020. With the forecast EPS in 2019 of VND3,116/share, FPT shares are traded at attractive P/E compared to the potential growth and the average P/E of other regional companies of the same industry.</li> </ul>

GMD	22/8/2018	26	1.2%	7.4%	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ 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.</li> </ul>
PVS	15/8/2018	21.9	-1.4%	27.3%	<ul style="list-style-type: none"> <li>▪ Despite experiencing a strong recovery from the beginning of 2019, P/E of PVS is still lower than the average P/E of other peers in the region.</li> <li>▪ With the forecast oil prices staying above USD60/barrel, much higher than Vietnam's average breakeven level of about USD55/ barrel, a series of large oil and gas projects will be started from 2020.</li> <li>▪ Core EPS in 2019-2023 is forecast to achieve a CAGR of 9.0% thanks to Sao Vang - Dai Nguyet, Gallaf, Block B and White Lion - Phase 2 projects and a stable FSO.</li> </ul>

## DISCLAIMER

This report has been prepared for informational purposes only, and does not constitute an offer or solicitation of a contract for trading. Opinions in this report reflect professional judgment at this date based on information and data obtained from sources KBSV considers reliable. However, KBSV does not guarantee that the information and data are accurate or complete, and, therefore, this report is subject to change without prior notice. Individual investments should be made based on each client's own judgment and we expressly disclaim all liabilities for any investment decisions and any results thereof. This report is a copyrighted material of KBSV and, thus, it may not be reproduced, distributed, or modified without the prior consent of KB Securities. This report is not prepared for academic purposes and any third party wishing to quote from it for academic publications should receive the prior consent of KBSV.

## KB SECURITIES VIETNAM (KBSV)

### Head Office

Level G, 2&7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam.  
Tel: (+84) 24 7303 5333 - Fax: (+84) 24 3776 5928

### Hanoi Branch

Level 1, VP Tower, 5 Dien Bien Phu Street, Ba Dinh District, Hanoi, Vietnam  
Tel: (+84) 24 3776 5929 - Fax: (+84) 24 3822 3131

### Saigon Branch

Level 1, Saigon Trade Center, 37 Ton Duc Thang Street, Ben Nghe Ward, District 1, HCMC, Vietnam  
Tel: (+84) 28 7306 3338 - Fax: (+84) 28 3910 1611

### Ho Chi Minh Branch

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam  
Tel: (+84) 28 7303 5333 - Fax: (+84) 28 3914 1969

## CONTACT INFORMATION

**Institutional Client Center:** (+84) 28 7303 5333 - Ext: 2656

**Private Customer Care Center:** (+84) 24 7303 5333 - Ext: 2276

**Hotmail:** [ccc@kbsec.com.vn](mailto:ccc@kbsec.com.vn)

**Website:** [www.kbsec.com.vn](http://www.kbsec.com.vn)