

## MARKET WRAPS

Vietnam's stock market has turned down this week due to negative movements on the international market. At the end of the week, VN-Index and HNX-Index closed at 987.59 (-1.03%) and 105.16 (0.37%) respectively.

### This week key movements

\* The number of losers overwhelmed the number of gainers on the HSX although liquidity improved (+14%). The number of gainers/losers on HNX was more balanced.

\* The decline of most large-cap stocks -1.05% (21/30 declining stocks) was the main factor dragging the overall market down. Small-cap stocks increased slightly by 0.77%, while medium-cap stocks did not change significantly.

\* In terms of stock group, the decline in global oil prices (Middle East tensions cooled down, while there were concerns about declining demand) led the stocks of Oil & Gas Equipment and Services and Sub-sectors, typically GAS, to go down sharply.

\* Foreign investors were net sellers this week with a net selling value of more than VND1,000 billion.

### Next week viewpoint:

Vietnam's stock market this week could not break the 1,000 threshold due to unfavorable news of the world. In particular, recent US economic data showed more obvious signs of a decline, while the US - EU trade conflict has further escalated. Previously, the market received positive information from the GDP growth of Vietnam in the first 9 months of the year, the highest level in the last 10 years, but the impact level of this information is not too strong because the market is paying attention to the above international information.

Next week, the market may turn its attention to the visit of Chinese Deputy Prime Minister Liu He to Washington, to resume negotiations with the US. The optimistic signals from this visit, if happen, will be an important driving force supporting the global stock market trend in general and Vietnam's stock market in particular in the coming week.

## HIGHLIGHTS OF THE WEEK

**The Ministry of Industry and Trade has released the Decision to apply official anti-dumping measures to some extruded aluminum products from China.** Accordingly, the temporary anti-dumping duty imposed on Chinese extruded aluminum exporting enterprises is from 2.49 to 35.58%. At present, goods subject to official anti-dumping duty are mainly used to make aluminum doors, aluminum walls, aluminum cabinets, interior and exterior decorators, structures in houses and other constructions or used as machinery parts, industrial structures and for other purposes. This is a measure to both support the domestic steel industry and avoid the phenomenon of temporary import for re-export of enterprises.

**Vietnam's PMI in September reached 50.5 points, down 0.9 points from the previous month with the number of new orders increasing slowly at the end of 3Q.**

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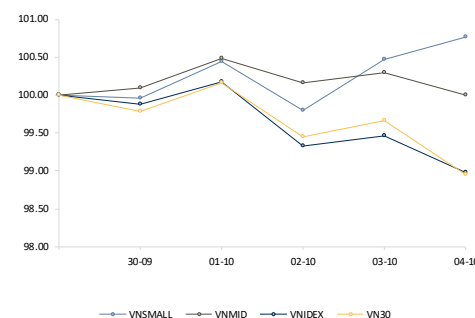
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### Market Summary

	VNIndex	HNXIndex
Close	987.59	105.16
Change (%)	-1.03%	0.37%
Gainers/Losers	155/188	106/106
Volume (mn/session)	960.61	122.79
Value (VNDbn/session)	21,731.89	1,753.32
Change (%)	14%	-7%

Source: FinnPro, KBSV

### Stock group performance



Source: FinnPro, KBSV

### Sector performance in the week

Top 5 best performers	Change	Major stocks in sector
Computer Services	7.50%	CMG, UNI, TST...
Soft Drinks	2.90%	VCF, NAF, SCD, CTP...
Building Materials & Fixtures	1.70%	VCS, HT1, BMP, PTB...
Specialty Chemicals	1.70%	DPM, DCM, DGC, CSV...
Paper	1.50%	DHC, HAP, CAP, VID...
Top 5 worst performers	Change	Major stocks in sector
Specialty Retailers	-3.90%	MWG, FRT, DGW, COM...
Industrial Machinery	-3.90%	REE, SRF, CTB, L10...
Gas Distribution	-4.10%	GAS, PGD, PGS, PGC...
Oil Equipment & Services	-4.80%	PVS, PVD, PVB, PVC...
Containers & Packaging	-7.00%	INN, SVI, MCP, SDG...

Source: FinnPro, KBSV

### Sector performance in the month

Top 5 best performers	Change	Major stocks in sector
Paper	11.00%	DHC, HAP, CAP, VID...
Building Materials & Fixtures	10.90%	VCS, HT1, BMP, PTB...
Software	6.70%	FPT, SRA, VLA...
Banks	6.50%	VCB, BID, CTG, MBB...
Hotels	6.50%	VNG, OCH, SGH, DAH...
Top 5 worst performers	Change	Major stocks in sector
Oil Equipment & Services	-5.20%	PVS, PVD, PVB, PVC...
Transportation Services	-6.20%	GMD, PHP, DL1, AST...
Clothing & Accessories	-6.70%	STK, TCM, TNG, FTM...
Containers & Packaging	-7.20%	INN, SVI, MCP, SDG...
Furnishings	-7.60%	RAL, GDT, DQC...

Source: FinnPro, KBSV

This is considered a commonplace on the international markets, the number of new export orders increased slowly, which led to a slight drop in production. This was the first decline since November 2017. The data also showed that the inventory rate of both purchased and finished goods also increased slightly. The growth rate of input costs also slowed down in September. Output prices also decreased in the 10th consecutive month.

**Gasoline prices increased sharply by nearly VND1,000/liter in the afternoon of October 1, after 4 consecutive decreases in the previous adjustment periods.**

Accordingly, RON 95 gasoline price increased by VND 923/liter, with a retail price of VND21,066/liter; E5 RON 92 gasoline price increased by VND666/liter, up to VND19,780/liter. Oil product prices were also adjusted to increase from October 1. Specifically, 0.05S diesel price increased by VND438/liter; kerosene increased VND424/liter; 180CST 3.5S Mazut oil price increased by VND829/kg.

According to the price management agency, the average price of petroleum products in the world in the 15 days prior to this period had fluctuated strongly but the overall trend was sharp increase due to supply instability. However, in Q4, amid declining demand (due to the global economic slowdown), crude oil prices in 2019 will generally be lower than in 2018. According to forecasts from EIA, the average Brent crude oil price in Q4 according to EIA's September forecast is about USD60/barrel, losing 11.7% YoY.

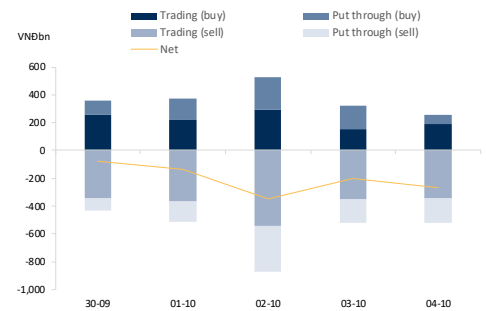
**GDP growth in the first 9 months reached 6.98%, the highest increase in the past 9 years.**

If calculated only by Quarter, GDP growth in Q3 reached 7.31% over the same period last year, higher than the increase of 6.82% in Q1, and 6.73% in Q2 this year. Agriculture, forestry and fishery increased by 2.02%, contributing 4.8% to the overall growth. Industrial and construction sector gained 9.36%, contributing 52.6%, the service sector increased by 6.85%, adding 42.6% to the total GDP.

In the first 9 months, industrial and construction (+9.36%YoY) continued to maintain the largest contribution to overall growth (contributing 4.9% percentage points). In particular, manufacturing is the main growth force with a growth of 11.37% - a 2-digit growth rate for 14 consecutive quarters. Factors supporting this group include: 1. Samsung launched a high-end product line in March and August, resulting in an increase in export of electronics since February 2019 (9 months +7.1% YoY). 2. The export growth of textile, footwear and wooden products always maintained at a high level. 3. Nghi Son and Formosa, respectively, have been operating at full capacity since Q2/2018, helping growth of refined metal and oil production always maintained a 2-digit growth.

Service sector growth in 9 months climbed 6.85% YoY, the highest in the past 3 years with wholesale and retail activities up to 8.31%, showing that domestic demand still had positive signs. In contrast, agriculture, forestry and fisheries in the first 9 months was not very positive with an increase of only 2.02%. Prolonged El Nino and narrowing export market of agricultural and fishery products are two main reasons for the slowdown of the agricultural sector.

**Foreign investor trading**



Source: Bloomberg, KBSV

**Top buy/sell by foreign investors**

Top net buyers		Net buying value (VNDmn)
CII		44,854
DXG		19,697
BMP		16,603
Top net sellers		Net selling value (VNDmn)
VRE		201,693
HPG		153,794
VNM		114,043

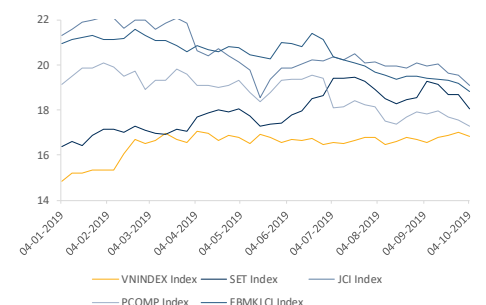
Source: Bloomberg, KBSV

**Top market movers**

Top 3 best performers		Points
TN1		0.027
D2D		0.04
VCF		0.05
Top 3 worst performers		Points
SAB		-1.61
COM		-0.03
TRA		-0.06

Source: Bloomberg, KBSV

**P/E Vietnam vs regional market**



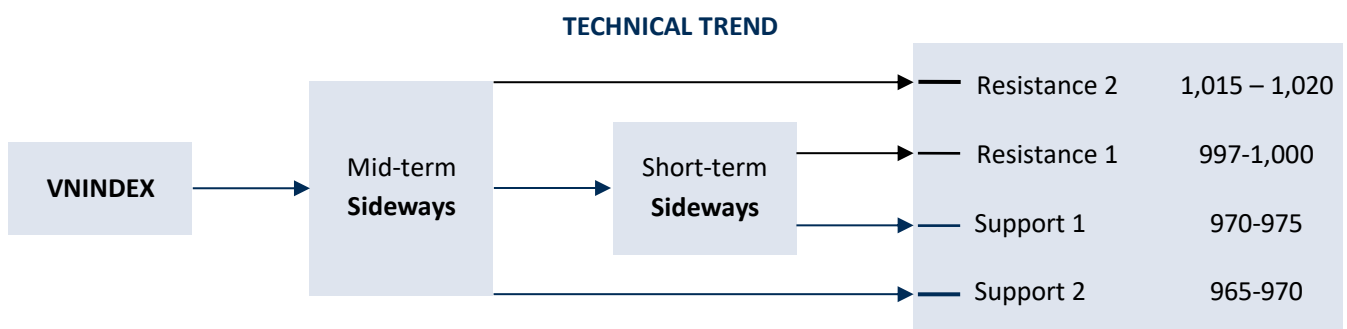
Source: Bloomberg, KBSV

## TECHNICAL ANALYSIS

This week, VNINDEX failed once again to challenge the resistance around 1,000 points. The pressure of taking profit in leading stocks and the negative impact from the world stock market pushed the index down to the end of the week.

Although the overall sideways drift is maintained as VNINDEX is fluctuating in the middle of the Bollinger band on the daily frame, the weakening movement at the end of the week made the momentum indicators inclined to the negative direction, which opens the opportunity of these indicators further decrease re-test the lower band. Besides, on the weekly frame, the negative pattern "Bearish Engulfing" has also formed, signaling the possibility of an expanding correction span in next week.

However, we expect VNINDEX to have a good short-term support at the support zone around 970 (+ -5) points, where lower boundary of the Bollinger band and the lower boundary of the horizontal band converged for over the last 2 months. Investors are recommended to reopen a part of the positions and gradually increase their stock proportion when the market corrects to around the mentioned strong support area.



## INVESTMENT PORTFOLIO RECOMMENDATIONS

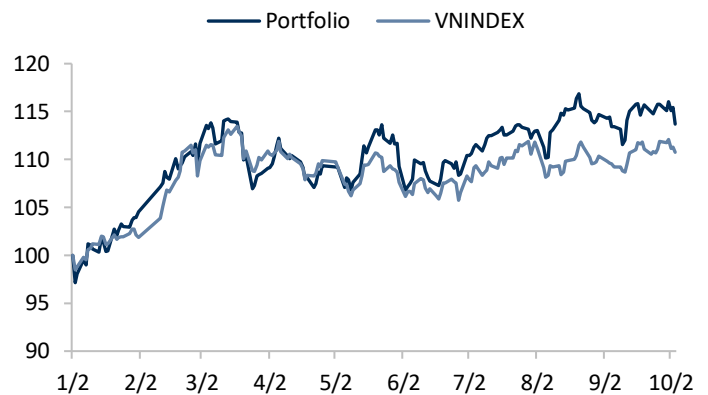
### Investment Note

(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
MWG	9/8/2019	123	-1.7%	8.8%	<ul style="list-style-type: none"> <li>MWG has found a suitable direction and a right development strategy. MWG has also succeeded in finding the development strategy for BHX and the revenue optimization plan for the DMX and Mobile World stores, and developed new business fields such as watches and glasses.</li> <li>Food and consumer goods retail chain recorded an impressive revenue growth of 206% YoY for 6 months of 2019 with an average revenue per store reaching VND 1.5 billion per month. This year, BHX aims to expand its network, increase revenue per store, improve gross profit margin and breakeven at stores and distribution centers by the end of the year.</li> <li>In the long term, Bach Hoa Xanh (BHX) aims to account for 10-15% market share of the food retail market estimated at USD50-70 billion by raising the number of stores to 8,000 - 12,000 stores nationwide. Currently, BHX chain is concentrated in HCMC and neighboring provinces with 600 stores and. BHX is expected to have 800-900 stores by the end of 2019.</li> </ul>
NLG	3/6/2019	29	0.7%	7.2%	<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</li> </ul>

					<p>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.</p> <ul style="list-style-type: none"> <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	72.8	-2.3%	-0.1%	<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 life insurance companies is to promote long-term exclusive bancassurance deals.</li> <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	58	-3.3%	-0.7%	<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>
PNJ	22/03/2019	80.3	-0.7%	6.5%	<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	22.65	-1.3%	11.6%	<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	37.4	-3.1%	14.4%	<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	56.8	-0.7%	54.8%	<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	27.45	-0.9%	13.4%	<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	18.9	-1.6%	9.9%	<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>

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