

MARKET WRAPS

Contrary to the positive movements of the world market (positive signals from Hong Kong political situation and from the process of US-China trade talks), Vietnam stock market dropped again this week. At the end of the week, VN-Index and HNX-Index closed at 974.08 and 100.92, going down 1.01% and 1.37% respectively.

This week key movements

* The number of declining stocks overwhelmed the number of advancers on both exchanges. Market liquidity continued to be low.

* In terms of stock groups, all 3 stock groups were under pressure to fall, dragging the VN-Index down. In particular, mid-cap stocks group saw the sharpest fall, down by 2.64%; followed by large-cap stocks with a decrease of 1.62%.

* In terms of sectors, the groups with business movements forecast to have further difficulties were under selling pressure, especially *Garments and Steel & steel products*.

* Foreign investors ended 3 net selling sessions with a strong net buying session at the end of the week. The total net purchase volume of foreign investors this week was USD143 billion.

Next week viewpoint:

Vietnam stock market had the second correcting week in a row, and was different from the recovery of the world stock market when domestic market sentiment has cooled down after the previous rally. With a low liquidity environment, less active trading moves, and a lack of domestic information, the market's noise will increase, pushing the market into unpredictable gaining/losing sessions under the influence of external factors from the international markets. Therefore, short-term investment opportunities will become challenging at the moment.

Next week, information related to the US-China trade war will continue to have an impact on market movements. The most likely scenario is that the two countries will continue to have trade talks, but the possibility of a positive outcome in the near future is relatively low. Besides, with the FED's policy meeting taking place next week, the market's attention will focus on the signals FED issued along with the US macro data to predict the potential policy that this agency may issue.

HIGHLIGHTS OF THE WEEK

Liquidity in the banking system during the trading week of August 26 - August 30 was tightening as the interbank interest rates of all terms increased sharply, and the SBV used the reverse repo to support liquidity temporarily. In particular, overnight interbank interest rate closed at 4.0% (+1.114% WoW); 1-week term interest rate was 3.98% (+1.103%); 2-week rate was 4.02% (+1.006%) over the August 23 session. Meanwhile, the interbank interest rate for USD continued to decline, currently at 2.28 - 2.38% for overnight and 1-week terms. VND - USD interest rate gap continued to climb to 1.7%. In OMOs, the SBV did not offer treasury bills and had VND18,000 billion of bills matured. Thus, the volume of

KBSV RESEARCH

Tung Le

Market Analyst

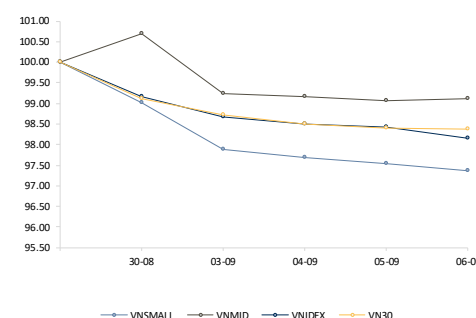
tungla@kbsec.com.vn

Market Summary

	VNIndex	HNXIndex
Close	974.08	100.92
Change (%)	-1.01%	-1.37%
Gainers/Losers	114/241	73/134
Volume (mn/session)	661.55	101.09
Value (VNDbn/session)	14,848.37	1,377.23
Change (%)	-28%	-22%

Source: FinnPro, KBSV

Stock group performance



Source: FinnPro, KBSV

Sector performance in the week

Top 5 best performers	Change	Major stocks in sector
Hotels	7.50%	VNG, OCH, SGH, DAH...
Marine Transportation	1.60%	PVT, VTO, GSP, VIP...
Electrical Components & Equipr	0.90%	CAV, PAC, TYA, VTB...
Gas Distribution	0.20%	GAS, PGD, PGS, PGC...
Specialty Chemicals	0.00%	DPM, DCM, DGC, CSV...
Top 5 worst performers	Change	Major stocks in sector
Computer Services	-3.20%	CMG, UNI, TST...
General Mining	-3.50%	KSB, HGM, BMC, DHM...
Steel	-3.50%	HPG, HSG, DTL, VIS...
Clothing & Accessories	-5.50%	STK, TCM, TNG, FTM...
Commodity Chemicals	-8.30%	PHR, AAA, DPR, HRC...

Source: FinnPro, KBSV

Sector performance in the month

Top 5 best performers	Change	Major stocks in sector
Electronic Equipment	11.80%	GEX, LGC, THI, AME...
Tires	10.00%	DRC, CSM, SRC, VKC...
Software	9.90%	FPT, SRA, VLA...
Industrial Machinery	8.50%	REE, SRF, CTB, L10...
Oil Equipment & Services	6.50%	PVS, PVD, PVB, PVC...
Top 5 worst performers	Change	Major stocks in sector
Travel & Tourism	-3.70%	VNS, SKG, TCT, HOT...
Brewers	-3.80%	SAB, BHN, HAD, HAT...
Paper	-9.10%	DHC, HAP, CAP, VID...
Commodity Chemicals	-14.60%	PHR, AAA, DPR, HRC...
Clothing & Accessories	-16.30%	STK, TCM, TNG, FTM...

Source: FinnPro, KBSV

SBV's outstanding bills in the market is currently at zero. Meanwhile, the Reverse Repo was used continuously during the week for the first time. The SBV offered VND26,000 billion for bidding for the whole week, 7-day term, with interest rate of 4.75%/year. Credit institutions absorbed VND 13,134 billion. Therefore, the SBV net injected a total of VND 31,133 billion to the market through OMOs last week. The balance of capital in the system this week was in supply constraints, which we believe only happens temporarily as the demand for capital often increases at the end of the month.

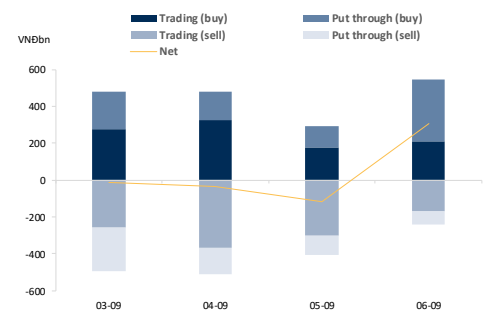
Vietnam's PMI in August fell to its lowest level in the past 6 months under the impact of US-China trade tensions and falling customer demand. August PMI reached 51.4 points, saw a sharp decline from 52.6 in July, indicating an improvement in overall business conditions. However, the positive point is that the manufacturing sector is still in the growth zone (above 50 points) in the 45th consecutive month and the input costs only increased slightly and at the slowest pace in 7 months, thereby triggering a further decrease in the prices of goods.

The downward situation in August was concentrated in the producers of basic investment goods, where operating conditions became worse. This is in contrast to the continued improvements in consumer goods and intermediate goods. Production growth rate in August was the lowest in the last 21 months. While the increased number of new orders has supported the output production in some companies, others have reported weakening customer demand and a decline caused by US-China trade tensions.

In the ASEAN region, operating conditions at manufacturing companies in August declined at the fastest pace since November 2015, when the number of new orders and production volume affected the indices. PMI continued to fall below 50 points, after falling from 49.5 in July to 48.9 in August, signaling the health of ASEAN manufacturing sector continues to decline at the fastest pace since the end of 2015.

The remittance source sent back to HCMC in the first 8M, 2019 reached USD3.65 billion. It is estimated that in the whole year of 2019, the total amount of remittance to HCMC will reach USD5.6 billion, gaining about 10% YoY. The amount of remittances to HCMC will account for about 25-30% of the remittances to Vietnam, so the volume of remittances in 2019 is estimated to reach nearly USD20 billion. This will be an important supply of foreign currency to help USD VND exchange rate maintain its stability amid unpredictable external factors. Considering the of remittance structure, despite the policy of USD 0% deposit interest rates, overseas Vietnamese and overseas workers in the first months of this year still transferred foreign currency to their home country. This is due to a number of reasons, the amount of remittances transferred to support relatives is not affected by the interest rates, partly from the remuneration of Vietnamese workers abroad.

Foreign investor trading



Source: Bloomberg, KBSV

Top buy/sell by foreign investors

Top net buyers	Net buying value (VNDmn)
AST	281,958
VNM	67,818
NVL	45,504
Top net sellers	Net selling value (VNDmn)
HPG	71,990
VJC	39,269
HDB	32,709

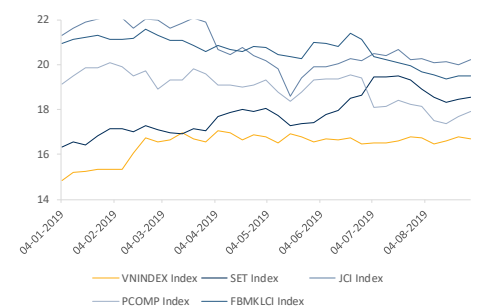
Source: Bloomberg, KBSV

Top market movers

Top 3 best performers	Points
YEG	1.34
SSC	0.18
PDN	0.21
Top 3 worst performers	Points
PHR	-0.38
D2D	-0.50
SZL	-0.04

Source: Bloomberg, KBSV

P/E Vietnam vs regional market



Source: Bloomberg, KBSV

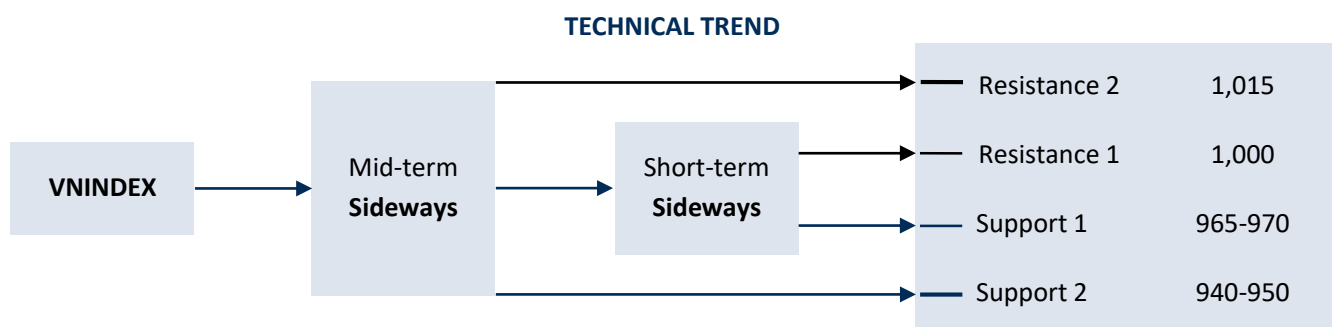
TECHNICAL ANALYSIS

After the National Independence Day holiday, the market had a trading week with 4/4 decreasing sessions with correspondingly lower liquidity. Banking stocks had the most negative impact on the market as only TCB gained. In general, the wave of divergence still dominated the market and the advantage still belongs to the large-cap stocks in the VN30 basket, while mid-small cap stocks increased quickly recently, and turned down sharply.

The short-term uptrend of VN Index was preserved, the index still stayed firmly in the short-term support area of 970-975 after 3 challenges in the past 6 sessions. However, the technical status of the VN Index started to show some negative signs:

- The VN Index closed the weekend session at below both 20 and 50 MAs, thereby losing an important technical support element.
- ADX momentum indicator was moving sideways at a record low point with -DI/+DI, but -DI was still predominating over +DI, which kept negative pressure from the price gap on August 26 increasing.

The potential risk of the market has reached the short-term warning level although the divergence is expected to continue in a low liquidity environment. This may create short-term trading opportunities for individual stocks. Investors are recommended to limit opening new buying positions, and only focus on trading with better-than-average stocks in the process of divergence with a low proportion of portfolio.



INVESTMENT PORTFOLIO RECOMMENDATIONS

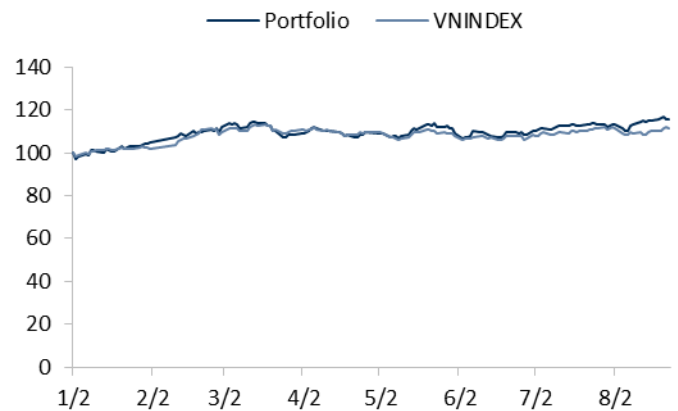
Investment Note

(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	117	0.7%	3.5%	<ul style="list-style-type: none"> 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. 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. 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.
NLG	3/6/2019	28.1	0.4%	3.9%	<ul style="list-style-type: none"> 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. In the next period, NLG determines to become the largest UA developer with by cooperating with famous Japanese

					<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"> ▪ 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.
BVH	5/6/2019	75.5	-0.7%	3.6%	<ul style="list-style-type: none"> ▪ 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. ▪ 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. ▪ 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.
PLX	5/6/2019	60.6	-0.7%	3.8%	<ul style="list-style-type: none"> ▪ 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). ▪ 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 ▪ Dramatic profit is expected to be gained from the merger of HDBank and PGBank.
PNJ	22/03/2019	81	-0.5%	7.4%	<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.
MBB	18/12/2018	22.6	0.0%	10.0%	<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	35.55	0.7%	8.7%	<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	52.9	0.6%	44.1%	<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, including Japan, United States, Asia Pacific, and European. The exported software segment is expected to gain 25% in the next three years. ▪ 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. ▪ 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.

GMD	22/8/2018	28.2	0.0%	16.5%	<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	20.5	-0.5%	19.2%	<ul style="list-style-type: none"> ▪ 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. ▪ 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. ▪ 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.

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

Website: www.kbsec.com.vn