

MARKET WRAPS

Vietnam stock market (VN-Index) continued to record an increase this week, accompanied by global stock markets. At the end of the week, VN-Index and HNX-Index closed at 1022.49 (+0.68%) and 107.27 (+1.44%) respectively.

This week key movements

* Large-cap stocks continued to play the leading role in the market's uptrend last week. The cash flow also started spreading to small and middle caps as these two groups saw a gain of 0.45% this week.

* Both exchanges were covered in red. Liquidity continued to improve on the HSX but plummeted on the HNX.

* The positive Q3 business performance and the break-out of VN-Index from 1,000 mark helped *Banking* stocks witness the strongest increase and lead the market this week. When the stock market gained and attracted new cash flow, *Securities brokerage* attracted more attention of investors with the expectation that market liquidity would be positive in the coming time.

* Foreigners were buying/selling alternatively. At the end of the week, they continued to maintain a slight net buying value (VND 140 billion.)

Next week viewpoint:

The VN-Index continued to set a new peak this week while world stocks also climbed to the historic peak. China and the US have agreed to gradually remove taxes on the opponent's goods, removing important bottlenecks in US-China tensions, helping investor sentiment become optimistic, especially when the central banks of developed countries are also strongly loosening monetary policy. Positive external environment will continue to be a support for the market in the near future. However, some risks are also emerging. In particular, the terms of the above agreement may not meet market expectations, or the Fed signals more clearly about stopping to cut interest rates. Domestically, the positive effects from Q3 business results will diminish, and the market will need to look for new growth drivers to maintain its current momentum.

HIGHLIGHTS OF THE WEEK

Exports have approached the growth target assigned by the National Assembly in 2019, with a growth rate of 7.4%. From the report on 10-month industry and trade activities of the Ministry of Industry and Trade, with a growth rate of 7.4%, the country's export growth rate after the first ten months of 2019 was very close to the target of 7-8% growth in 2019.

According to this report, in these first ten months, the export turnover of goods is estimated at USD217.05 billion, increasing 7.4% YoY. However, this increase is significantly lower than the 21.8% and 15.3% increases recorded in October 2017 and 2018, due to the impact of US-China trade disputes and the global economic slowdown. The domestic economic sector was the driving force of growth, with an increase of 16.2%, accounting for 30.7% of total export turnover; FDI sector increased by only 3.9% YoY.

KBSV RESEARCH

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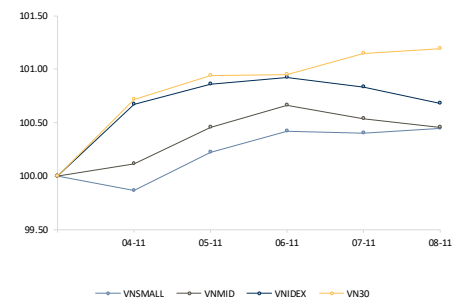
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Market Summary

	VNIndex	HNXIndex
Close	1022.49	107.27
Change (%)	0.68%	1.44%
Gainers/Losers	162/185	83/128
Volume (mn/session)	1026.64	127.87
Value (VNDbn/session)	22,144.24	1,695.67
Change (%)	9%	-47%

Source: FinnPro, KBSV

Stock group performance



Source: FinnPro, KBSV

Sector performance in the week

Top 5 best performers	Change	Major stocks in sector
Banks	7.50%	VCB, BID, CTG, MBB...
Steel	3.10%	HPG, HSG, DTL, VIS...
Paper	2.70%	DHC, HAP, CAP, VID...
Investment Services	2.10%	SSI, HCM, VCI, VND...
Computer Services	2.00%	CMG, UNI, TST...
Top 5 worst performers	Change	Major stocks in sector
Food Products	-1.20%	VNM, MSN, SBT, KDC...
Electronic Office Equipment	-1.40%	ST8, SAM, ELC, SMT...
General Mining	-2.70%	KSB, HGM, BMC, DHM...
Hotels	-3.80%	VNG, OCH, SGH, DAH...
Containers & Packaging	-5.10%	INN, SVI, MCP, SDG...

Source: FinnPro, KBSV

Sector performance in the month

Top 5 best performers	Change	Major stocks in sector
Paper	10.70%	DHC, HAP, CAP, VID...
Containers & Packaging	9.60%	INN, SVI, MCP, SDG...
Software	6.20%	FPT, SRA, VLA...
Banks	5.70%	VCB, BID, CTG, MBB...
Gas Distribution	5.70%	GAS, PGD, PGS, PGC...
Top 5 worst performers	Change	Major stocks in sector
Heavy Construction	-3.40%	ROS, VCG, CTD, CIL...
Clothing & Accessories	-5.30%	STK, TCM, TNG, FTM...
Furnishings	-5.60%	RAL, GDT, DQC...
Hotels	-8.10%	VNG, OCH, SGH, DAH...
General Mining	-8.80%	KSB, HGM, BMC, DHM...

Source: FinnPro, KBSV

The last two months of 2019 are said to be the peak months for production and export. Import-export turnovers in the last months of the year are usually high compared to those in the beginning of the year because this is the time to prepare goods for the largest shopping occasions in the world, such as Christmas, New Year, or Lunar New Year in Vietnam and some Asian countries. Therefore, the exportation of textiles, wood and wood products, agricultural and fishery products... will remain high during this period.

October PMI fell to only 50 points, the lowest level of 47 months, output dropping for the second month in a row; the number of new orders inched up at a low rate in 47 months; output prices gained for the first time in 11 months.

Regarding the cause, the survey results show that the weakness in October mainly focused on intermediate goods manufacturing companies.

The highlight of the survey is that the number of new orders has still increased, but the growth rate has narrowed significantly. Some survey team members said customers wanted to reduce the size of their orders. The same situation occurred with the number of new export orders as the growth rate slowed down. Signs of weak demand have led manufacturers to reduce production for the second consecutive month in October. However, the decreasing rate is low and almost equal to September.

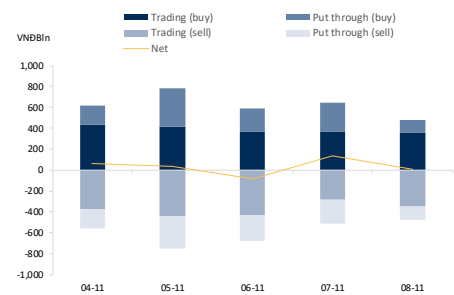
The growth rate in input costs increased slightly to a five-year high, but still below the historical average. In response to the higher increase in input prices, companies raised output prices for the first time in 11 months. However, the growth rate of output prices is small because of weak customer demand.

Business optimism has bounced back from the 13-month low recorded in September and returned to the level recorded in August. Companies are confident that production will increase next year, and the optimism is often attributed to rising market expectations.

Pork prices reached its record highs in the last three years, VND70,000/kg in Northern provinces and VND62,000/kg in Southern provinces. Meanwhile last week, the prices of living pig meat rose VND7,000/kg in the North, and only went up slightly in the South. The Agricultural Product Processing and Market Development Department stated that the reasons for pork price hike are manifold. In addition to the decrease in supply due to African swine fever, some households tended to keep pig droves to increase their weight before sale, creating an undersupply on the market. In addition, the Ministry of Agriculture and Rural Development said that by the end of the year, there will be a shortage of pork, about 3-4%, equivalent to 200,000 tons. However, according to reports from Rabobank, the total number of damaged pig droves could be up to 15-20%.

The surge of pork prices during this period will directly affect the CPI for the last months of the year, as pork accounts for 4 - 4.5% of the basket of goods calculated in the CPI. However, given the relatively high pork prices in the last 3 months of 2018 (about VND 50 - 55,000/kg) and the low current CPI, the impact of pork prices in the year-end period on the Government's target of 4% inflation will be insignificant.

Foreign investor trading



Source: Bloomberg, KBSV

Top buy/sell by foreign investors

Top net buyers	Net buying value (VNDmnn)
VRE	174,546
VHM	142,188
HCM	77,651
Top net sellers	Net selling value (VNDmnn)
VNM	235,591
VJC	46,323
CTD	30,641

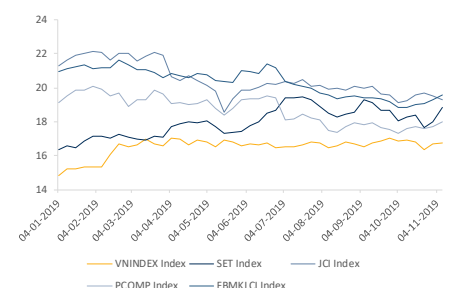
Source: Bloomberg, KBSV

Top market movers

Top 3 best performers	Points
VHM	3.252
VCB	2.95
BID	1.71
Top 3 worst performers	Points
VIC	-1.97
VNM	-1.64
VJC	-0.37

Source: Bloomberg, KBSV

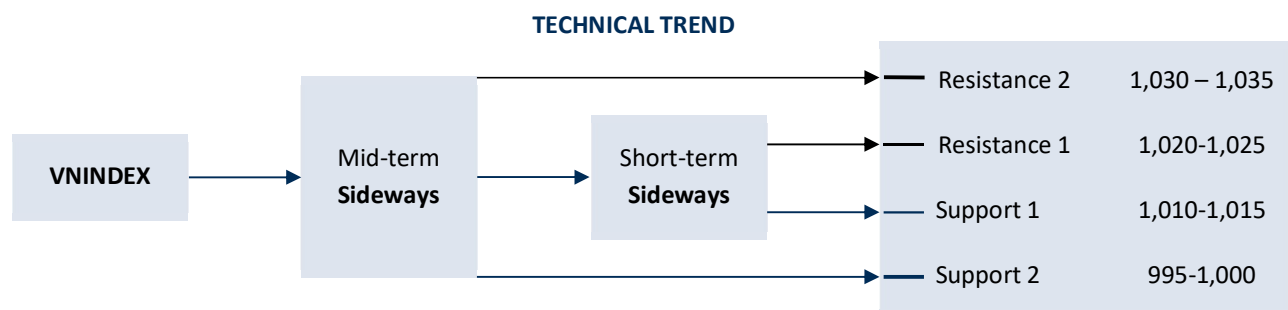
P/E Vietnam vs regional market



Source: Bloomberg, KBSV

TECHNICAL ANALYSIS

After breaking out of the 1,000 resistance level of the previous week, this week VN-Index continued to maintain its uptrend despite facing strong profit-taking pressure as the index gradually approached the resistance of 103x. The appearance of negative Doji candle pattern on the weekly frame and bearish engulfing candlestick reversal pattern on the daily frame signaled the correction risk of the VN-Index in the early sessions next week. However, the momentum indicators (RSI, MACD, and Stochastics) are still in a positive state, while the VN-Index has not rose too high from the resistance level, which makes us believe that the ability of a strong correction will not be high, and the market will soon be supported by the bottom-fishing demand in the correction scenario. The immediate support area will be located at 1,010 – 1,015, the convergence of the previous bottom and the 23.6% Fibo level of this uptrend. Investors are recommended to open part of the short-term position for stocks that have not increased much, and are moving around the support areas at corrections of the market. However, at the same time, it is necessary to flexibly take profit for stocks that gained significantly and quickly when VNINDEX moved far into the strong resistance.



INVESTMENT PORTFOLIO RECOMMENDATIONS

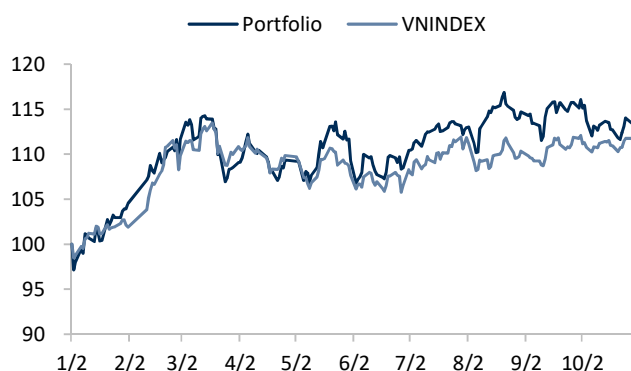
Investment Note

(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
PC1	11/6/2019	19.1	0.5%	2.4%	<ul style="list-style-type: none"> Thanh Xuan Real estate project and transmission line construction are expected to achieve a 5% NPAT growth after doubling in 2019, which will support PC1's NPAT growth in 2020. The electricity construction segment is expected to grow strongly in the coming years due to the large investment demand from EVN in order to meet the electricity consumption demand of the whole society. Capacity of PC1 power plants (Mong An, Bao Lac B, Song Nhiem) is expected to increase sharply in 2020.
MSN	10/11/2019	75.7	2.0%	-1.7%	<ul style="list-style-type: none"> MEATDeli's fresh meat business has been positive since Masan launched this product at the end of 2018, reflecting positive prospects for Masan MEATLife (MML). Masan is expected to promote meat distribution in the near future, including the penetration into HCMC market in September 2019. Food and beverage segments, as well as profits shared from Techcombank are expected to continue rising at a 2-digit growth. Tungsten prices are showing signs of recovery after a long losing span, which is expected to support MSR's production and business activities.
MWG	9/8/2019	125.2	0.5%	10.8%	<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.

					<ul style="list-style-type: none"> 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	28.75	0.7%	6.3%	<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 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. 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.
PNJ	22/03/2019	83.3	0.0%	10.5%	<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. 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	22.95	-0.2%	13.1%	<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	37.65	0.4%	15.1%	<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	58.5	1.0%	59.4%	<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	26.7	0.0%	10.3%	<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.

					<ul style="list-style-type: none"> ▪ 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	18.6	0.5%	8.1%	<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.

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