

## MARKET WRAPS

Vietnam stock market has recovered slightly this week thanks to positive developments from the international market and positive business results of the banking sector. At the end of the week, VN-Index and HNX-Index closed at 991.84 (0.43%) and 105.26 (0.1%), respectively.

### This week key movements

The main developments in the week:

\* Despite the gain, the number of losers was still more than the number of gainers on both exchanges. Liquidity decreased significantly on the HSX.

\* Large-cap stocks (VN30) led the market's gain this week. In contrast, small and mid-cap stocks (VNSML) and VNSML (VNSML) dropped by 0.35% and 0.75%, respectively.

\* In terms of stock groups, the surge in world oil prices (Iranian oil tankers were attacked) made stocks of the petroleum & gas distribution stocks, especially GAS, rebound. Positive Q3 business results of VCB also helped the banking industry to record a good increase this week.

\* Foreign investors still net-sold this week. However, the net-selling volume has gradually decreased and the total value reached VND 220 billion.

### Next week viewpoint:

The positive Q3 business results of some banks have paved the way for banking stocks (VCB, CTG, and STB) to lead the market this week. At the same time, initial positive changes in the first day of US-China negotiation made the market sentiment become more optimistic, thereby making VN-Index stay in green until the end of the week.

However, we believe that the outcome of the negotiation round is still unpredictable and will decide the market movements of the following week. In addition, the ongoing Q3 earnings announcement season will create a differentiation among stocks. We keep a neutral view on profit growth in Q3, considering that the sectors with good earnings growth previously (Banks, Real Estate) will still be positive, while securities, textile and raw materials businesses and some manufacturing enterprises may still show signs of less positive business performance.

## HIGHLIGHTS OF THE WEEK

**The SBV continued to lower the treasury bill rates by 25bps on October 9 to 2.25%/year for 7-day bills.** This is the 3rd time in the year that SBV lowered interest rates, the two previous times are at the end of July and the end of September. However, with abundant liquidity in the system, commercial banks have absorbed all the SBV bills with a total value of VND18 trillion, and overnight interest rates fell sharply to 1.86% - about 20bps lower than USD interest rates.

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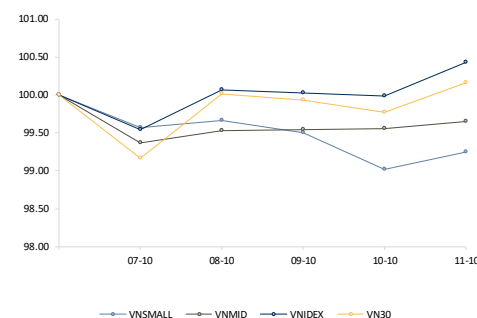
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### Market Summary

	VNIndex	HNXIndex
Close	991.84	105.26
Change (%)	0.43%	0.10%
Gainers/Losers	163/185	87/117
Volume (mn/session)	886.12	122.25
Value (VNDbn/session)	18,899.73	1,763.26
Change (%)	-13%	1%

Source: FinnPro, KBSV

### Stock group performance



Source: FinnPro, KBSV

### Sector performance in the week

Top 5 best performers	Change	Major stocks in sector
Specialty Finance	7.50%	IBC, OGC, FIT, BCG...
Gas Distribution	1.70%	GAS, PGD, PGS, PGC...
Banks	1.60%	VCB, BID, CTG, MBB...
Electronic Office Equipment	1.60%	STB, SAM, ELC, SMT...
Industrial Machinery	1.20%	REE, SRF, CTB, L10...
Top 5 worst performers	Change	Major stocks in sector
General Mining	-1.70%	KSB, HGM, BMC, DHM...
Property & Casualty Insurance	-2.10%	PVI, BIC, BMI, PGI...
Clothing & Accessories	-2.90%	STK, TCM, TNG, FTM...
Building Materials & Fixtures	-3.00%	VCS, HT1, BMP, PTB...
Hotels	-4.00%	VNG, OCH, SGH, DAH...

Source: FinnPro, KBSV

### Sector performance in the month

Top 5 best performers	Change	Major stocks in sector
Banks	8.10%	VCB, BID, CTG, MBB...
Specialty Retailers	6.30%	MWG, FRT, DGW, COM...
Building Materials & Fixtures	5.90%	VCS, HT1, BMP, PTB...
Industrial Machinery	5.40%	REE, SRF, CTB, L10...
Specialty Finance	5.30%	IBC, OGC, FIT, BCG...
Top 5 worst performers	Change	Major stocks in sector
Farming & Fishing	-2.80%	HNG, VHC, GTN, HAG...
Marine Transportation	-3.30%	PVT, VTO, GSP, VIP...
General Mining	-3.60%	KSB, HGM, BMC, DHM...
Containers & Packaging	-5.90%	INN, SVI, MCP, SDG...
Clothing & Accessories	-7.10%	STK, TCM, TNG, FTM...

Source: FinnPro, KBSV

We have observed that this move of the SBV aims to follow the trend of the Fed rate cut. Similar to the previous two times, investors bet 85% chance that after the coming October meeting, Fed will lower interest rates once again this year, and the Fed Chairman also somewhat confirmed this view in the last October 8 speech. In addition, this is also a measure to reduce cost pressure for the SBV in the context of current excess liquidity.

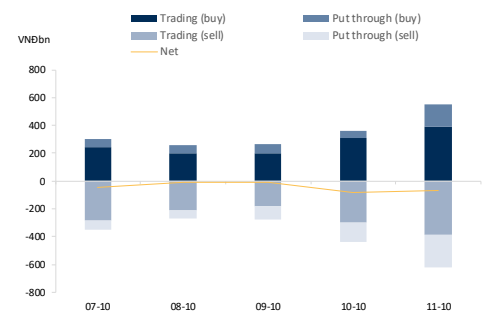
**In the first 9M/2019, the country's seafood export was estimated at nearly USD6.3 billion, a slight decrease of 0.8% YoY, according to VASEP.** In particular, the key export products of Vietnam have decreased. Specifically, shrimp, pangasius, and squid - octopus exports fell 7%, 8%, and 8% respectively. Particularly, tuna exports increased by 20% and other marine products gained 17%.

The shrimp exports have been in a downtrend since 2018, due to increased supply, low export prices and large inventories in some countries. Shrimp sold to major markets such as EU, Japan, Korea, and ASEAN all decreased, only slightly increased on some markets such as China, USA, and Australia. Meanwhile, pangasius production has increased since 2018, leading to an oversupply. Some shrimp breeding households have found it difficult to switch to pangasius farming, causing the prices of raw fish and export prices to fall recently. Except for the Chinese market which was on the rise up by 71% in July and continued to rise sharply in August, pangasius exports to other markets all reversed to go down. Pangasius exports to the US dropped sharply by 40% to USD 221 million. Vietnam has 62 pangasius enterprises qualified to export to the US, but most cannot export because of high anti-dumping duties. VASEP forecasts that shrimp exports tend to be more positive on the US, China and Japan markets in the second half of the year as inventories decrease, demand increases. Shrimp production in India is forecast to drop 20 - 30% due to weather and falling price. However, competition in shrimp prices is still a great pressure. Shrimp turnover this year is expected to hit USD3.4 billion, falling 4% YoY.

**Living pork prices have skyrocketed last week, with an increase of up to VND10,000/kg.** The decline in supply due to the African swine fever is the main cause of the sharp increase in pork prices mentioned above. Ipsos Business Consulting forecast that by the end of 2019, Vietnam may lack 500 thousand tons of pork, equivalent to 20% of consumer demand. Meanwhile, the Ministry of Agriculture and Rural Development forecast only a shortage of 4-5% of the demand, equivalent to about 200,000 tons of pork. Besides, another reason for recent price hike of pork also comes from China market which started to "open" for living pig export in small volume via border trade. China is in a serious shortage of pork, which means this market will attract a large number of goofs from its neighbor countries.

With the proportion of pork in the CPI calculation basket accounting for about 3-4%, we estimate that the price increase of 20-25% above will raise CPI by about 0.6%.

### Foreign investor trading



Source: Bloomberg, KBSV

### Top buy/sell by foreign investors

Top net buyers	Net buying value (VNDmn)
VCB	141,062
ROS	60,671
BID	25,518
Top net sellers	Net selling value (VNDmn)
VIC	134,198
HDB	55,507
VHC	48,132

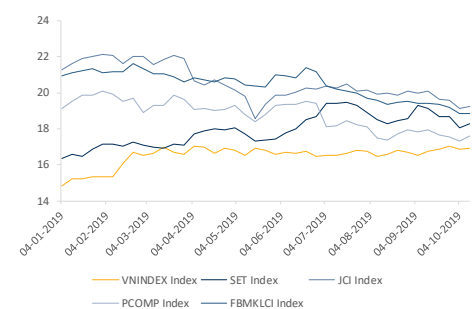
Source: Bloomberg, KBSV

### Top market movers

Top 3 best performers	Points
VCB	2.515
GAS	1.02
HVN	0.82
Top 3 worst performers	Points
VHM	-0.79
NVL	-0.47
VNM	-0.31

Source: Bloomberg, KBSV

### P/E Vietnam vs regional market



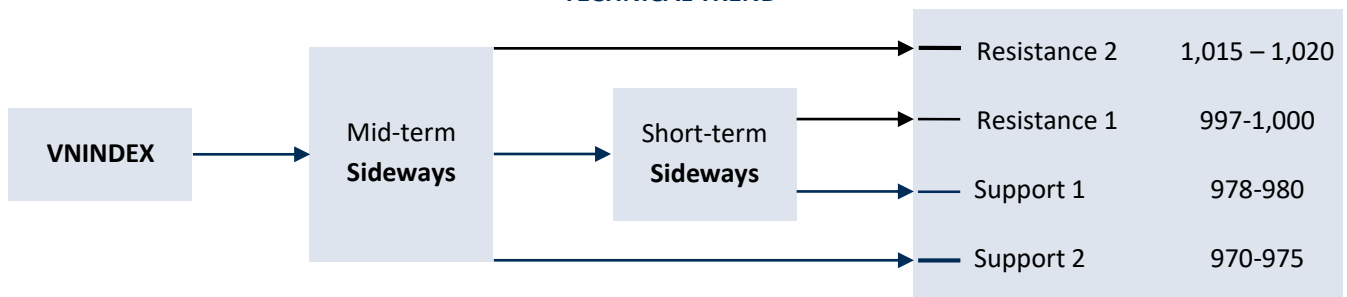
Source: Bloomberg, KBSV

## TECHNICAL ANALYSIS

VN-Index this week was strongly supported at the area around 980, the convergence of the bottom of the last 3 weeks and the center of the Bollinger Band, thereby helping the index recover slightly. The momentum indicators (RSI, Stochastics, and MACD) on the weekly frame have no significant changes, and stayed neutral.

We believe that in the short term, the market is still temporarily in a sideways drift with alternating increases/decreases. In the positive case, if the US-China trade talks gain a significant progress, the market can expand its recovery span, turning to challenge the nearest resistance area at 995-997 which is the convergence of the upper limit of 1SD of Bollinger Band on the daily frame and the peak of decreasing span on October 4 session. However, it can be seen in the leading stocks/stocks group that the short-term correction from the previous week was not strong enough to create a sustainable recovery. Therefore, we maintain a cautious view and believe that VN-Index will need more time to correct and may drop to the next support level at 975-980. Therefore, investors are recommended to reduce the proportion of short-term positions in case the market can recover according to the above positive case. They should only open new positions and raise stock proportion when the market corrects to around the mentioned strong support level.

### TECHNICAL TREND



## INVESTMENT PORTFOLIO RECOMMENDATIONS

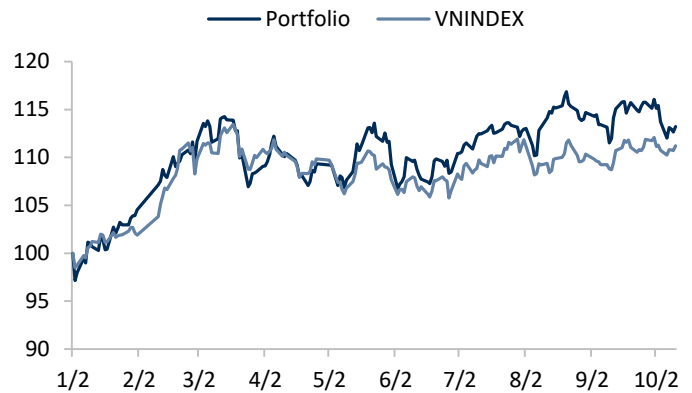
### Investment Note

(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
MSN	10/11/2019	77	0.0%	0.0%	<ul style="list-style-type: none"> <li>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).</li> <li>Masan is expected to promote meat distribution in the near future, including the penetration into HCMC market in September 2019.</li> <li>Food and beverage segments, as well as profits shared from Techcombank are expected to continue rising at a 2-digit growth.</li> <li>Tungsten prices are showing signs of recovery after a long losing span, which is expected to support MSR's production and business activities.</li> </ul>
MWG	9/8/2019	77	0.0%	0.0%	<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</li> </ul>

					<p>concentrated in HCMC and neighboring provinces with 600 stores and. BHX is expected to have 800-900 stores by the end of 2019.</p>
NLG	3/6/2019	123.4	-0.2%	9.2%	<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 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	28.95	0.9%	7.0%	<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>
PNJ	22/03/2019	80	1.1%	6.1%	<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	22.75	0.0%	12.1%	<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	37.8	0.0%	15.6%	<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	56.5	0.2%	54.0%	<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	26.75	0.9%	10.5%	<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	1.1%	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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