

MARKET WRAPS

Vietnam stock market this week went against the trend of international stock market despite receiving supportive information. At the end of the week, VN-Index closed at 989.2 (-0.27%) and 105.48 (+0.21%).

This week key movements

* The losers outnumbered the gainers on the HSX, while the gainers outnumbered the losers on the HOSE. Market liquidity did not have strong fluctuations.

* Large-cap stocks (VN30) recorded an increase of 0.27%, but it was not enough to help VN-Index from falling. Mid-cap stocks, with a decrease of -0.26%, were considered as the main reason for VN-Index drop.

* In terms of stock groups, the indirect impact from the Da River water crisis caused REE to plummet, dragging *Industrial machinery* stocks down this week.

* Foreign investors remained net sellers with a net selling value of VND 145 billion. The positive point is that foreign investors have net bought again in the last 2 sessions.

Next week viewpoint:

Although there are some world positive news (US-China successfully reached a trade deal - phase 1; UK-EU reached a Brexit preliminary agreement); and the business performance in Q3 of banks was positive, VN-Index was under a great pressure of correction this week after it failed to challenge the 1,000 zone again. Business results in Q3 of companies (except for banking sector) has not brought any obvious impacts on the market. Investors seem to be cautious, and are waiting for a more comprehensive picture of business performance in enterprises.

We still believe that Q3 business performance will hardly become a strong factor to help the market surge over 1,000 points. However, with current favorable external conditions, the risk of a strong correction will be decreased.

HIGHLIGHTS OF THE WEEK

The trade balance hit a surplus of USD1.61 billion in September, according to the latest data from Vietnam Customs. Accumulated by the end of September 2019, export turnover reached over USD194.65 billion, +8.4% YoY; import turnover hit more than USD187.5 billion, +8.4%. A surplus of USD7.15 billion has been recorded, which was nearly as high as the increase in 2018.

Export in September continued to go up with the total export turnover reaching USD23.36 billion, +7.1% YoY, mainly thanks to the exports of smartphones, and components with an export value of USD5.4 billion.

The growth rate of export turnover in the first 8 months of domestic economic sector hit 28% YoY, much higher than the relevant figure of FDI sector (5%); and the proportion of domestic economic sector keeps increasing to 30.6% of export turnover (compared to 28% in the same period last year). However, it can be seen from export data that the US-China trade war has affected trade flows and adversely influenced Vietnam. Export growth rates of all the main sectors are

KBSV RESEARCH

Tung Le

Market Analyst

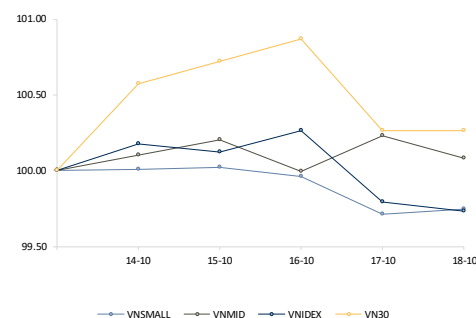
tungla@kbsec.com.vn

Market Summary

	VNIndex	HNXIndex
Close	989.2	105.48
Change (%)	-0.27%	0.21%
Gainers/Losers	144/193	120/100
Volume (mn/session)	922.81	141.36
Value (VNDbn/session)	18,898.50	1,854.18
Change (%)	0%	5%

Source: FinnPro, KBSV

Stock group performance



Source: FinnPro, KBSV

Sector performance in the week

Top 5 best performers	Change	Major stocks in sector
Containers & Packaging	7.50%	INN, SVI, MCP, SDG...
Travel & Tourism	5.20%	VNS, SKG, TCT, HOT...
Food Products	2.10%	VNM, MSN, SBT, KDC...
Automobiles	2.10%	TCH, SVC, CTF, HHS...
Transportation Services	1.90%	GMD, PHP, DL1, AST...
Top 5 worst performers	Change	Major stocks in sector
Oil Equipment & Services	-2.30%	PVS, PVD, PVB, PVC...
Commodity Chemicals	-2.30%	PHR, AAA, DPR, HRC...
Industrial Machinery	-2.50%	REE, SRF, CTB, L10...
Building Materials & Fixtures	-2.70%	VCS, HT1, BMP, PTB...
Hotels	-4.60%	VNG, OCH, SGH, DAH...

Source: FinnPro, KBSV

Sector performance in the month

Top 5 best performers	Change	Major stocks in sector
Soft Drinks	4.50%	VCF, NAF, SCD, CTP...
Specialty Finance	4.30%	IBC, OGC, FIT, BCG...
Banks	4.20%	VCB, BID, CTG, MBB...
Travel & Tourism	4.00%	VNS, SKG, TCT, HOT...
Automobiles	3.80%	TCH, SVC, CTF, HHS...
Top 5 worst performers	Change	Major stocks in sector
General Mining	-4.20%	KSB, HGM, BMC, DHM...
Brewers	-4.80%	SAB, BHN, HAD, HAT...
Marine Transportation	-4.80%	PVT, VTO, GSP, VIP...
Steel	-5.40%	HPG, HSG, DTL, VIS...
Oil Equipment & Services	-7.20%	PVS, PVD, PVB, PVC...

Source: FinnPro, KBSV

slowing, and agricultural and fishery are the two sectors that saw the strongest impacts.

In terms of imports, import turnover in September is estimated at USD21.75 billion, +11.6% YoY; and the growth rates of sectors tend to decrease slightly compared to those in August.

Rice with 5% broken prices of Vietnam has reached 2-month highs - about USD360/ton as the demand from African buyers increased. Preliminary data from Saigon Port showed that at least 70,600 tons of rice are expected to be unloaded at Ho Chi Minh City ports between October 1 and 20, with the majority moved to West Africa and Malaysia.

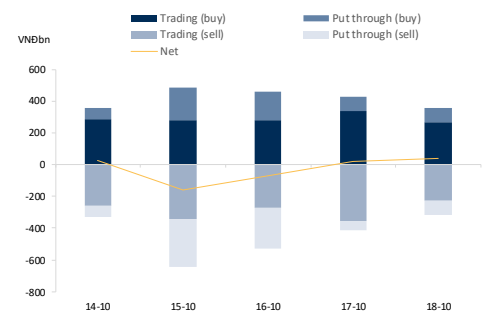
Another good news for the rice export industry is that on October 11, 2019, the Philippines Department of Agriculture (DA) publicly announced the closure of preliminary investigation into the application of global safeguard measures for imported rice in the Philippines, according to information from the Ministry of Industry and Trade. As a result, the Philippines ended the investigation in the application of safeguard measures on rice will benefit Vietnamese businesses in near future. In other words, Vietnam can continue exporting rice to the Philippines under the current mechanism of the Philippines.

Vietnam Customs said that in the first 9 months of 2019, rice exports were estimated at 5.2 million tons, worth USD 2.24 billion, up 5.9% in volume but down 9.8% in value over the same period in 2018. In particular, the Philippines ranked first among Vietnam's rice export markets, accounting for 36.1% of the market share, increasing 2.9 times in volume and 2.6 times in value YoY.

The Import - Export Department (Ministry of Industry and Trade) said that in the first 10 days of October 2019, the prices of living pigs nationwide skyrocketed VND6,000 - 13,000/kg, compared to the end of September 2019. Specifically, the prices of living pigs in the North were around VND60,000 - 64,000/kg. In Bac Giang, Hanoi, Thai Nguyen and Ninh Binh provinces, the prices of living pigs ranged from VND58,000 to 59,000/kg. At C.P Vietnam Corporation in the North, the prices of living pigs were further raised to VND 61,500/kg. Meanwhile, on the South market, living pigs' prices at Southern C.P Vietnam Corp gained to VND56,000 - 56,500/kg. In addition, along with the rising momentum of pork prices, beef prices on the market also climbed about 15% MoM.

The Import - Export Department explained ASF made pork supplies decrease, which was the reason for the recent sharp increase in pork prices. Meanwhile, the demand for food and raw materials usually increases at the end of the year, so the market is quite busy. The Department forecasts that the prices of living pigs will continue to rise, especially in the last months of the year because the ASF epidemic has not been stopped in many places, the number of culled pigs is increasing, the total number of pig herds also plummeted, while farmers are cautious of pig repopulation.

Foreign investor trading



Source: Bloomberg, KBSV

Top buy/sell by foreign investors

Top net buyers	Net buying value (VNDmn)
VNM	91,527
VCB	83,563
E1VFN30	60,706
Top net sellers	Net selling value (VNDmn)
VIC	176,916
VRE	86,646
VHM	66,383

Source: Bloomberg, KBSV

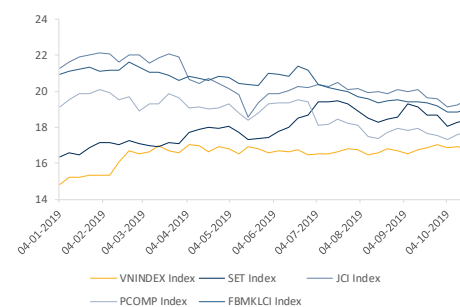
Top market movers

Top 3 best performers	Points
VNM	2.311
TCB	0.83
CTG	0.49
Top 3 worst performers	Points
VHM	-1.38
SAB	-1.06
VIC	-0.99

Source: Bloomberg, KBSV

With pork prices soaring (about 20% MoM), the CPI in October is expected to rise sharply. We estimate October CPI will reach 0.5% MoM and average CPI in 10 months will be at 2.46%.

P/E Vietnam vs regional market



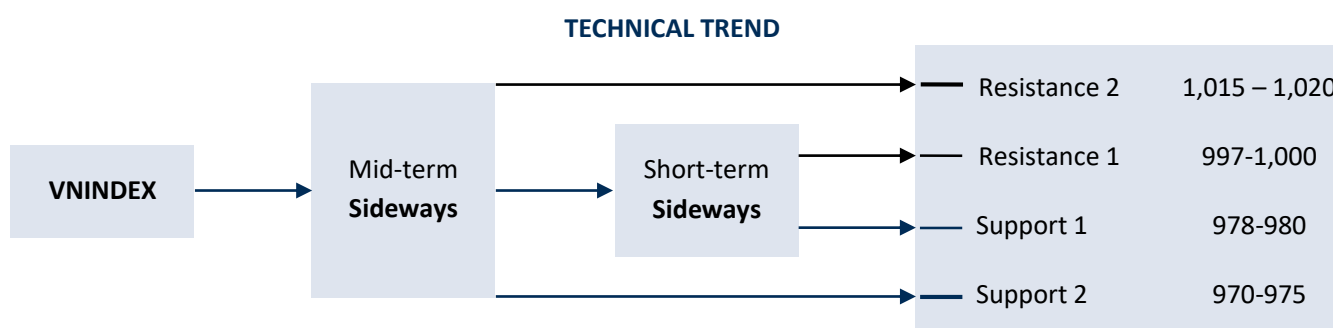
Source: Bloomberg, KBSV

TECHNICAL ANALYSIS

VN-Index failed to challenge the 995-997 resistance zone this week before reversing down to close at SMA20. This is also the middle of the Bollinger band which is narrowing and moving sideways on the daily frame. Besides, momentum indicators like RSI, MACD and Stochastics are also moving around the average levels.

Although the technical indicators are quite neutral, but after an unsuccessful attempt to surpass the upper band of the sideways band, the VN-Index is facing the possibility of going back to re-test the lower bound around 975-980 points. In addition, according to our observation, the stocks leading the recent rally, including banking stocks and foreign-invested stocks that have already reached the maximum room, were testing a resistance area on the monthly frame. The correction in the first week of October did not last long enough to create a stable accumulation platform. Therefore, it is likely that these stocks will need more time to correct, and put pressure on the overall market.

After selling to reduce the proportion in the previous span, investors are recommended to consider reopening part of the short-term positions when the market corrects to the mentioned support area.



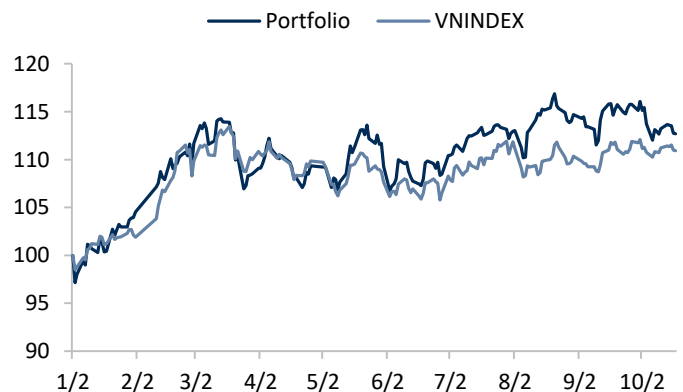


INVESTMENT PORTFOLIO RECOMMENDATIONS

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
--------	------------------------	---------------	---------------	----------------------	---------------------------

MSN	10/11/2019	76	-1.3%	-1.3%	
-----	------------	----	-------	-------	--

- 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	122.9	0.0%	8.8%	<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. ▪ 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	28.7	0.0%	6.1%	<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.
BVH	5/6/2019	71.4	0.1%	-2.1%	<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.

					<ul style="list-style-type: none"> 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.
PNJ	22/03/2019	82.4	-0.4%	9.3%	<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	23	-0.9%	13.3%	<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	36.75	0.7%	12.4%	<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).

					<ul style="list-style-type: none"> ▪ With expected EPS in 2018 at VND5,500/share, REE is comparatively low with ROE reaching 18,6%.
FPT	6/9/2018	57.1	0.7%	55.6%	<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	26.4	0.4%	9.1%	<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	18.5	0.0%	7.6%	<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