

## MARKET WRAPS

Vietnam stock market witnessed a surging week and more negative movements than the world stock market. Ending the week, the 2 indexes VNIndex and HNXIndex closed at 997.78 (-3.19%) and 103.03 (-2.77%) respectively.

### This week key movements

- \* Both exchanges were covered in red. Market liquidity also decreased slightly this week.
- \* The strongest decline occurred to large caps, and spread to other capitalization groups. Large caps, small and middle caps dropped by -3.78%, -1.18% and -1.02%, respectively.
- \* Banking industry was under a strong pressure of plunging by 4.5% as investors reacted somewhat negatively to the lending and deposit rates cuts of some SOEs and the new Circular No.22 of the SBV.
- \* Foreign investors continued their net selling this week with a net selling value of VND 488 billion.

### Next week viewpoint:

Vietnam stock market dropped sharply this week with negative matured derivatives. The market was imbalanced, despite being supported by macro information from regulatory authorities, including the SBV lowering the ceiling deposit and short-term lending rates.

Meanwhile, the global stock market also experienced a subdued week amid concerns that the US-China trade agreement might be delayed until next year, while geopolitical risks in Hong Kong still exist. However, as the domestic market has not showed any extremely negative signs, we believe that the market may soon find the equilibrium point next week.

## HIGHLIGHTS OF THE WEEK

**On November 18, the SBV signaled a cut of maximum deposit interest rate in VND of organizations and individuals at credit institutions and branches of foreign banks and maximum short-term VND lending interest rates of credit institutions for some economic sectors.** In particular, the maximum deposit rate dropped by 0.2% to 0.8% for demand deposits and term deposits of less than 1 month; decreased by 0.5% to 5%/year for 1-month - below 6-month terms and ceiling interest rates for short-term loans in VND for priority areas decreased from 6.5%/year to 6% / year.

Commercial banks immediately responded to the above Decision. VietinBank officially issued documents to reduce the ceiling interest rate of short-term VND loans from 6.5%/year to 6.0%/year for priority areas. Meanwhile, MB launched a lending package with preferential interest rates for SMEs, while reducing deposit rates from 0.1-0.5% / year.

This was considered a signal of SBV's easing monetary policy, which is aimed at stimulating growth amid low inflation in the first 10 months of 2019, abundant liquidity in the system and relatively stable exchange rate. In addition, this is also

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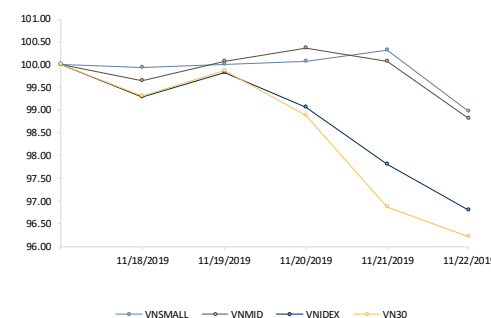
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### Market Summary

	VNIndex	HNXIndex
Close	997.78	103.09
Change (%)	-3.19%	-2.77%
Gainers/Losers	114/241	81/134
Volume (mn/session)	1061.17	104.88
Value (VNDbn/session)	23,476.15	1,294.85
Change (%)	-4%	-19%

Source: FinnPro, KBSV

### Stock group performance



Source: FinnPro, KBSV

### Sector performance in the week

Top 5 best performers	Change	Major stocks in sector
Trucking	7.50%	TCL, VNT, VSA, TCO...
Automobiles	2.90%	TCH, SVC, CTF, HHS...
Commodity Chemicals	1.30%	PHR, AAA, DPR, HRC...
Hotels	1.20%	VNG, OCH, SGH, DAH...
Electronic Equipment	0.70%	GEX, LGC, THI, AME...
Top 5 worst performers	Change	Major stocks in sector
Software	-4.40%	FPT, SRA, VLA...
Banks	-4.50%	VCB, BID, CTG, MBB...
Containers & Packaging	-5.00%	INN, SVI, MCP, SDG...
Specialty Retailers	-6.00%	MWG, FRT, DGW, COM...
Brewers	-6.20%	SAB, BHN, HAD, HAT...

Source: FinnPro, KBSV

### Sector performance in the month

Top 5 best performers	Change	Major stocks in sector
Automobiles	11.00%	TCH, SVC, CTF, HHS...
Paper	10.40%	DHC, HAP, CAP, VID...
Trucking	10.00%	TCL, VNT, VSA, TCO...
Marine Transportation	3.30%	PVT, VTO, GSP, VIP...
Real Estate Holding & Developpr	2.80%	VIC, VHM, VRE, NVL...
Top 5 worst performers	Change	Major stocks in sector
Clothing & Accessories	-6.00%	STK, TCM, TNG, FTM...
Furnishings	-6.40%	RAL, GDT, DQC...
Food Products	-7.10%	VNM, MSN, SBT, KDC...
Specialty Retailers	-9.60%	MWG, FRT, DGW, COM...
General Mining	-9.80%	KSB, HGM, BMC, DHM...

Source: FinnPro, KBSV

a measure to restrict small commercial banks from raising deposit rates during the time of intense liquidity at the end of the year.

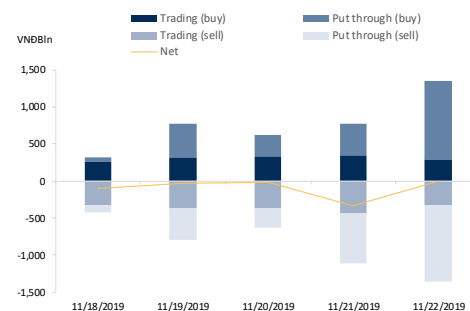
**Circular 22/2019/NHNN recently published by the SBV on November 15, 2019 has changed the regulations on limiting the prudential ratios in banking activities - tightening for State-owned commercial banks and relaxing for private commercial banks.** Specifically, the central bank will apply an 85% loan-to-deposit ratios (LDRs) to all of Vietnam’s commercial banks from January 1, 2020 according to Circular 22/2019/NHNN. This compares with the 90% maximum for state-owned banks and the 80% for joint-stock commercial banks, joint-venture banks & foreign banks with 100% foreign capital.

Total outstanding loans will not likely be impacted meaningfully from this regulatory change given the rule change merely shifts the loan caps in favor of the private-sector banks at the expense of the state-owned banks.

Among the state-owned lenders, we expect the circular will most significantly impact BID and CTG given their inability to meet Basel 2 capital adequacy standards and LDRs already close to the new regulatory limit set in Circular 36. LDRs were at 84.0% for BID & 85.5% for CTG in 1H2019 (vs 83.4% & 84.0% at the end of 2018), with the new LDR cap – and shortfall in regulatory capital to meet Basel 2 requirements – likely to give both lenders limited ability to expand credit in 2020.

For joint-stock commercial banks, the SBV has more objectively assessed the credit activities of these banks group, and main beneficiaries should be the banks that have met the Basel 2 requirements. The relaxation of regulatory LDRs should provide more opportunities for further credit expansion at ACB, MBB, HDB & TPB in 2020E.

### Foreign investor trading



Source: Bloomberg, KBSV

### Top buy/sell by foreign investors

Top net buyers	Net buying value (VNDmn)
VRE	280,948
HDG	39,334
HDB	38,070
Top net sellers	Net selling value (VNDmn)
JDH	237,489
VIC	204,742
VCB	85,149

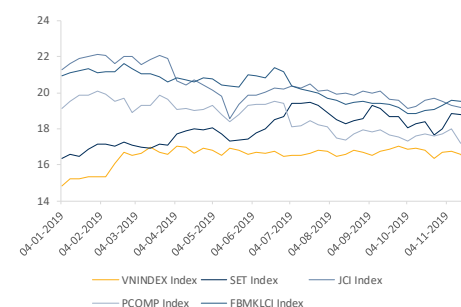
Source: Bloomberg, KBSV

### Top market movers

Top 3 best performers	Points
TCH	0.129
FLC	0.09
DTL	0.08
Top 3 worst performers	Points
VCB	-4.58
VICB	-3.35
SAB	-3.21

Source: Bloomberg, KBSV

### P/E Vietnam vs regional market



Source: Bloomberg, KBSV

## TECHNICAL ANALYSIS

VN-Index had a plunge this week, penetrated the support areas of 990-995 and fell to the 1-month's bottom.

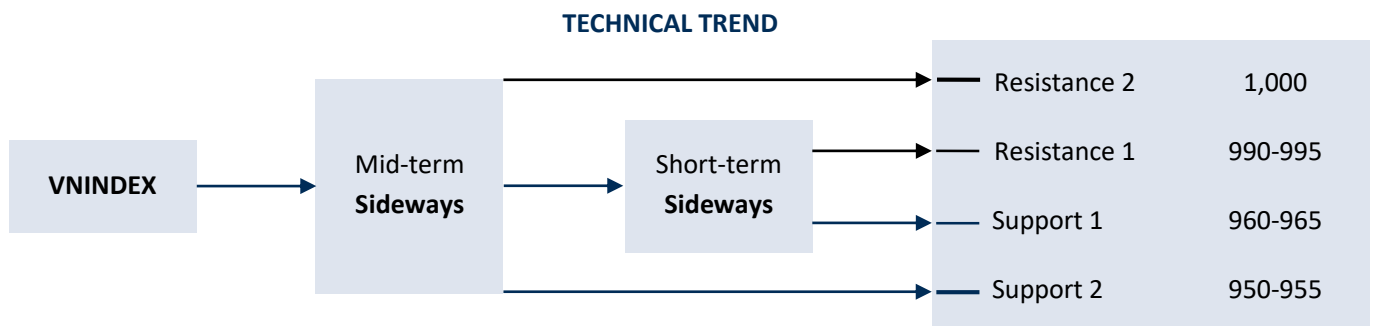
The momentum indicators on the weekly frame became neutral and are turning negative. We believe that the downtrend will continue to dominate the market as the general index and some leading stocks still need more time to adjust, which are strong enough to create a more sustainable accumulation.

However, VN-Index had a noticeable support area on the weekly frame at 960-965, below the bottom of September, and the market may soon show short-term recoveries in the coming week.

However, the ability to create a successful bottom right at this span is not high and the risk of further corrections needs to be taken into account.

Investors are recommended to balance the proportion if the market rebounds to the nearest resistance level at 990-995.

The re-opening/ increasing short-term position can be considered in case of the market falling to the support area.



## INVESTMENT PORTFOLIO RECOMMENDATIONS

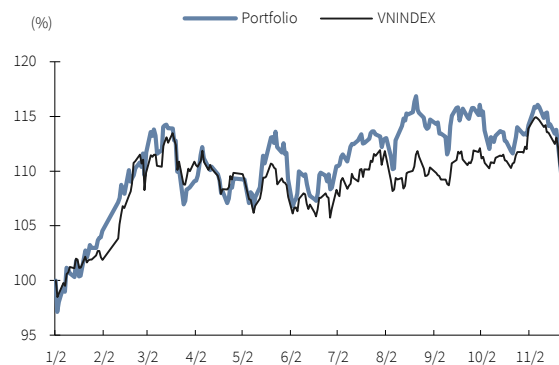
### Investment Note

(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
PC1	11/6/2019	18.6	-1.6%	-0.3%	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Capacity of PC1 power plants (Mong An, Bao Lac B, Song Nhiem) is expected to increase sharply in 2020.</li> </ul>
MSN	10/11/2019	70.5	-4.2%	-8.4%	<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	112	-4.4%	-0.9%	<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> </ul>

					<ul style="list-style-type: none"> <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	27.9	-0.9%	3.1%	<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>
PNJ	22/03/2019	81.6	-2.2%	8.2%	<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> <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	22.35	-1.1%	10.1%	<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	36.7	-2.7%	12.2%	<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	-1.4%	52.6%	<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	24	-3.2%	-0.8%	<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> </ul>

					<ul style="list-style-type: none"> <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	-2.7%	4.7%	<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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