KBSV RESEARCH

KB Securities VIETNAM

2H20 market outlook

Calm and firm amid volatile period

Head of Macro & Market Strategy Tran Duc Anh
anhtd@kbsec.com.vn
Market Strategist Le Anh Tung
tungla@kbsec.com.vn

July 30, 2020

Vietnam stock market has shown strong rebounds from the bottom at the end of March

The main market growth forces in this period are: 1) Well-insulated market from COVID-19 compared to other regional countries thanks to short social lockdown; 2) Global easing monetary policy, including Vietnam; 3) Official approval of the EVFTA with increasing expectations on stronger FDI inflows; 4) Hopes about the effectiveness of the Government's expanded fiscal policies including increasing public investment and reducing taxes.

Market supportive factors in the 2H of the year will continue to be maintained

They included: 1) slower growth of new COVID-19 cases, easing lockdown protocols all over the world, and promising progresses in vaccine production; 2) clearer signs of domestic economic recoveries, including the rebounding consumption in major export markets and the gradual recovery of the tourism industry; 3) easing monetary policies in countries all over the world, including Vietnam; and 4) accelerated public disbursement, and the divestment of SOEs.

Main risks remain

The main risks are: 1) the second wave of COVID-19; 2) the market surges and falls in to a not very attractive valuation area; 3) The rebound of businesses' production and operating activities is slower than expected, and involved a risk of increasing non-performing loans; & 4) US-China tensions and recession in major economies.

Expected price range

The expected price range is around 900 points

Recommended tickers

Information technology: FPT Group (FPT) & CMC Corp (CMG)
Thermal power: Hai Phong Thermal Power (HND) & PV Power Nhon Trach 2 (NT2)
Retailing: Mobileworld (MWG), Phu Nhuan Jewelry (PNJ) & Digiworld (DGW)
Fishery: Sao Ta Foods (FMC).

Contents

Executive Summary

Vietnam stock market experienced a volatile period in the first half of 2020. Vietnam used to be one of the worst performers right after the outbreak of COVID-19 before turning to one of the markets with the fastest bounce-back from the end of March to the first half of June. However, there was a big lag between the strong rebound and the actual recoveries of economy and businesses, which triggered strong sell-offs in June. This correction was considered necessary and healthy as it helped to lower the profit-taking pressure, and basically put the market back to a more reasonable price range.

For the economic outlook in the 2H.2020, we have a prudent but not too pessimistic view. After considering opportunities and potential risks to the economy, we believe that Vietnam stock market to reach 900 points with clearer signs of economic recoveries and post-COVID better performance of businesses in the second half of the year given the second wave of COVID-19 do not happen in Vietnam amid gradually improved situation in the world.

Recommended tickers

Information technology: FPT Group (FPT) & CMC Corp (CMG)
Thermal power: Hai Phong Thermal (HND) & PV Power Nhon Trach 2 (NT2)
Retailing: Mobileworld (MWG), Phu Nhuan Jewelry (PNJ) & Digiworld (DGW)
Fishery: Sao Ta Foods (FMC).

Table 1. Vietnam – Main market drivers in 2H.2020

Advantage factor	Impact level	Possibility	Disadvantage factor	Impact level	Possibility
Loosening Policy of central banks, including Vietnam	Strong	High	Production and business activities recovered below expectations	Strong	Medium
Trends in loosening isolation and information on vaccine production	Strong	Medium	Disease continues to break out	Strong	Medium
EVFTA comes into effect and promotes public investment	Medium	High	Risk of extensive world economic recession	Strong	Low
The wave of foreign direct investment	Medium	High	US-China trade tensions	Medium	Medium
Equitization, divestment of SOEs	Medium	Low	Market valuation after a strong rally is no longer attractive	Medium	Medium

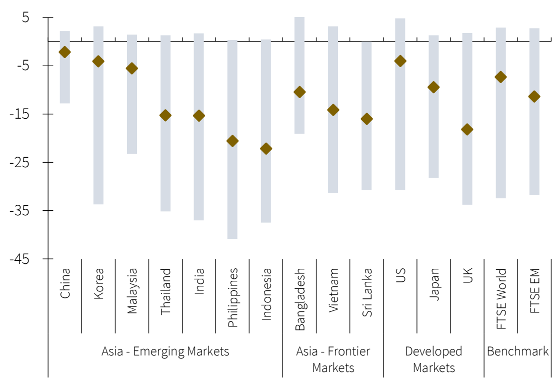
Source: KB Securities Vietnam

Vietnam stock market in 2Q.20

Vietnam's stock market in Q2 has bounced back quickly, reflected through the 25% increase of the VNIndex. Market liquidity increased sharply with the average trading value on the Ho Chi Minh Stock Exchange (HSX) growing by 52.3% vs Q2.2019, which was strongly supported by large number of newly opened securities accounts (up 112% YoY). The market's rally in 2Q was led by large caps in banking sector like Vietcombank (VCB), Bank for Investment & Development (BID), and Techcombank (TCB); real estate like Vinhomes (VHM), Vingroup (VIC), and Vincom Retail (VRE); oil and gas like Petrolimex (PLX) & PV Drilling & Well Services (PVD). Besides, raw material sector had the most impressive increase in 2Q with almost all tickers up, typically Hoa Phat Group (HPG) and Hoa Sen Group (HSG).

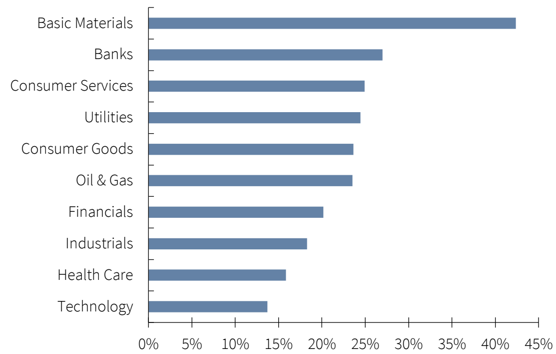
Foreign cash flows were improved as net selling volumes dropped sharply in May and turned positive in June, with a large put-through buying volume of Vinhomes (VHM). Although passive ETFs have improved recently, net selling volumes have stayed high since early year.

Fig 1. Vietnam & other countries – Stock markets (YTD – %)



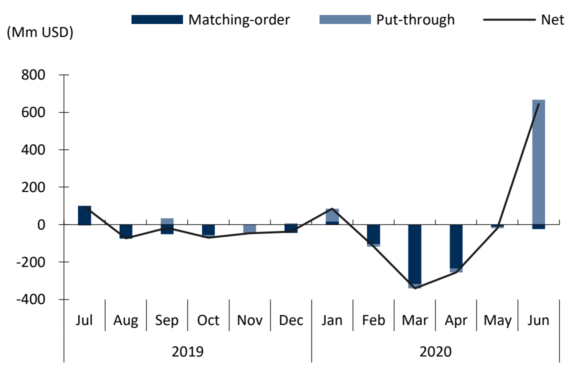
Source: Bloomberg, KB Securities Vietnam

Fig 2. Vietnam – Price changes of sectors in 2Q (%)



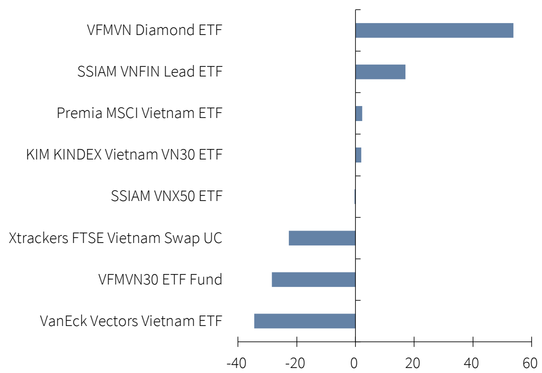
Source: Bloomberg, KB Securities Vietnam

Fig 3. Vietnam – Foreign cash flows (USDmn)



Source: Bloomberg, KB Securities Vietnam

Fig 4. Vietnam – Large ETFs (YTD – USDmn)



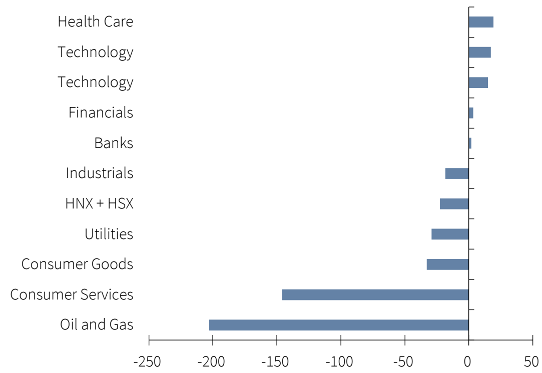
Source: Bloomberg, KB Securities Vietnam

1Q.20 performance – Hit hard by COVID-19

The performance of businesses on the Ho Chi Minh Stock Exchange (HSX) and Hanoi Stock Exchange (HNX) were hit hard by the COVID-19 pandemic with a drop of 23% yoy in earnings growth. The worst performers were oil and gas (down 200% yoy), consumer services (down 146% yoy) and consumer goods (down 33% yoy) due to the Government's social distancing protocols, disruption of trade and transportation activities due to closed borders, and lower consumption demand.

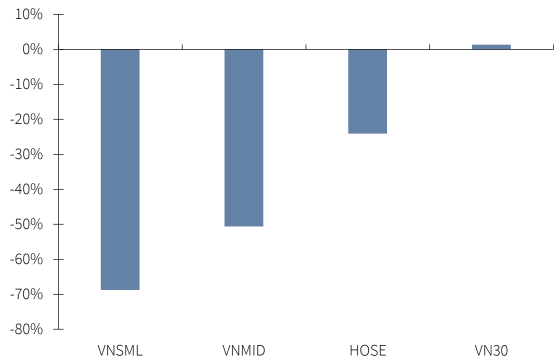
In addition, only large caps on the HSX successfully maintained positive profit growth. This group is considered to have the best resilience to the COVID-19 shock, able to bounce back quickly thanks to healthy financial buffer, and better ability to mobilize capital than mall and medium enterprises.

Fig 5. Vietnam – 1Q earnings growth on the HSX & HNX (%)



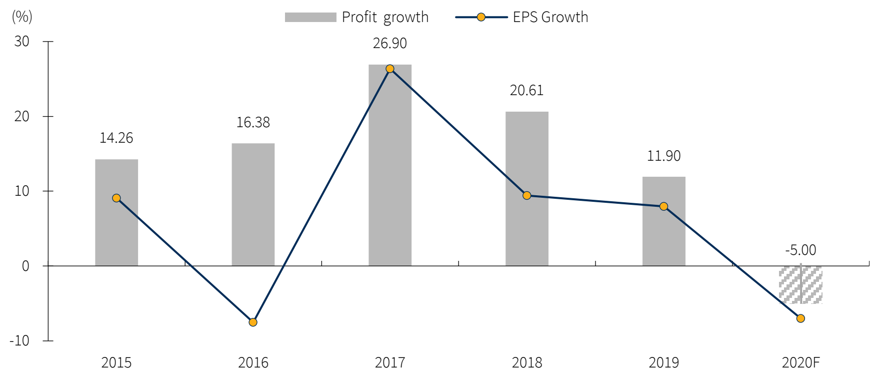
Source: Bloomberg, Fiinpro, KB Securities Vietnam

Fig 6. Vietnam – 1Q earnings growth on HSX by cap size (%)



Source: Bloomberg, Fiinpro, KB Securities Vietnam

Fig 7. Vietnam – Forecast earnings & EPS growth of companies on the HSX (%)



Source: Bloomberg, KB Securities Vietnam

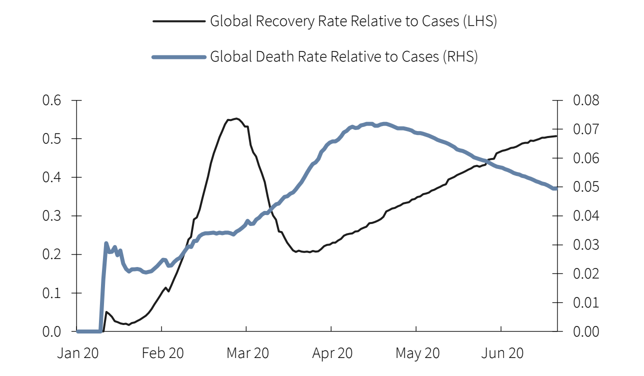
We believe that the performance of companies would still be weak in 2Q (including April with the nationwide lockdown) as this quarter would be the clearest description of the pandemic impacts. However, business results may gradually recover in the last two quarters of the year when the key economic sectors, except for some hit hard by the global developments of COVID-19, are getting back to normal, along with the Government's timely aid packages.

Accordingly, we expect the earnings and EPS of listed businesses in 2020 to decline 5% yoy and from 7% to 10% yoy respectively.

Market driver – COVID-19 & the second wave

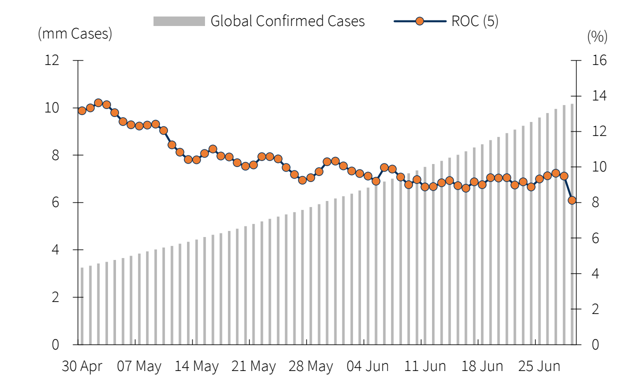
The development of COVID-19 is still the main factor to drive the Vietnam and global market movements in the 2H of 2019. Although there are still new infection cases in the world, we can still believe in some bright sides: 1) gaining recovery rates amid lowering the death toll (Figure 8); and 2) lower new case growth, especially in some economic locomotives like the EU, UK, Japan, and China (Figure 9). However, some US states have lifted the lockdown protocols too soon, which somewhat exacerbates the pandemic situation. Based on qualitative analysis, we believe that that second wave of COVID-19 would not happen in Vietnam. Although it may occur in some other countries, its impacts should be more limited compared to the first outbreak.

Fig 8. Global – COVID recovery & death toll vs infection cases



Source: Bloomberg, KB Securities Vietnam

Fig 9. Global – COVID infection cases



Source: Bloomberg, KB Securities Vietnam

Although the possibility of COVID second wave is unpredictable, there are some positive points in our base scenario:

- First, the rate of infection and death toll may be lower than the first outbreak, partly because the world has reached a certain level of "community infection" and the vulnerable population group will be exposed less as they have been already affected by the first outbreak.

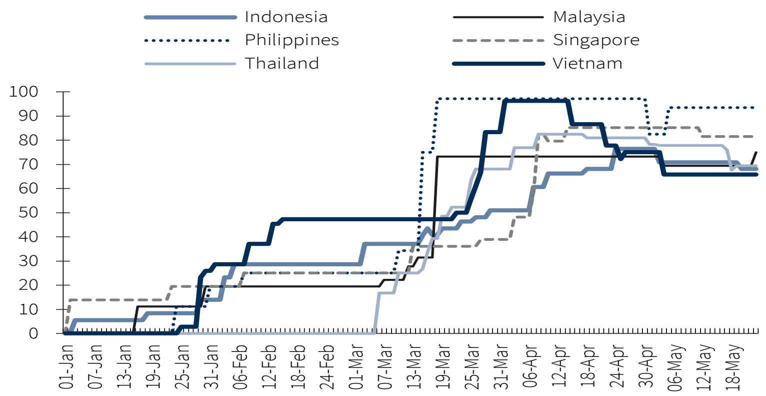
- Second, many countries may choose more easing measures to fight against the pandemic instead of social lockdown as the unemployment rate has reached the limit. Countries around the world will most likely learn from Korea's successful model – fighting the disease alongside on-going economic activities.

- Third, many big pharmaceutical companies are accelerating the COVID-19 vaccine development process and gained promising results. Recent results from Moderna coronavirus trial 1 showed eight participants developed antibodies against the virus. The trial is now in phase 2 and the vaccine is expected to be produced in 2021.

Vietnam has successfully controlled the first outbreak thanks to drastic measures including contact tracing, border closing, and nationwide lockdown. With experience gained from the first wave, Vietnam should have effective measures to fight against the pandemic in case of new COVID-19 case in the community. Therefore, we believe that the possibility of the second wave and nationwide lockdown in Vietnam is low.

The effectiveness in Vietnam Government's response to COVID-19 is proved via the fact that Vietnam soon eased fighting measures vs Southeast Asian countries despite not providing the most tightening measures in the first phase

Fig 10. Vietnam & Regional countries – Response to COVID-19



Note: Level 100 = tightening, level 0 = easing

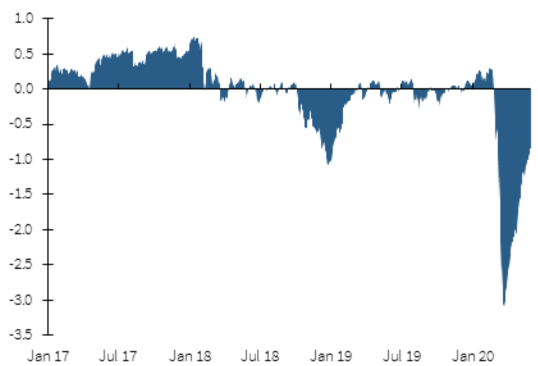
Source: Oxford COVID-19 Government Response Tracker, KB Securities Vietnam

Market driver – The rebound speed of the global and Vietnam economies

We expect the global economic health has overcome the weakest period and started to experience a U-shaped recovery thanks to historic large aid packages and easing lockdown protocols. The financial state of the global market also posted a strong bounceback (Figure 11).

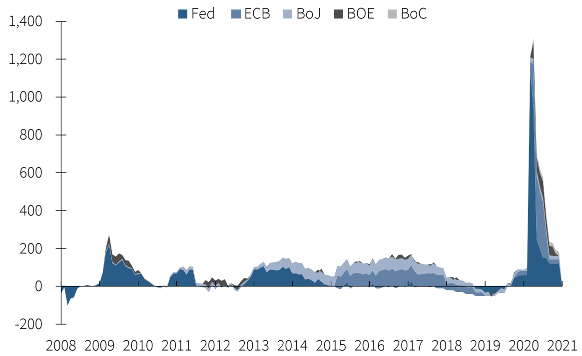
In a closer look, the US officially approved a USD2 trillion fiscal stimulus package while the Fed cut interest rates to zero and also announced the "Unlimited QE" to stabilize the market. The EU also agreed on a 120-billion-euro package, and other supports worth EUR1.2 trillion while the European Central Bank decided to launch an expand asset purchase programme. Japan considered about a surprising USD1 trillion stimulus package or 40% GDP of this country. Chinese Government also used a range of stimulus tools including interest rate cut, fee & tax reduction, and fiscal spending expansion.

Fig 11. Global – Financial condition



Note: Based on the average index of the US, UK, and Asian countries outside Japan
Source: Bloomberg, KB Securities Vietnam

Fig 12. G7 countries – Lare QE programme (USDbn)

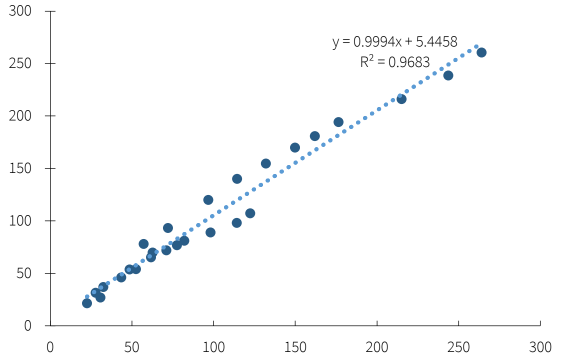


Note: Forecast by Bloomberg Economics
Source: Bloomberg, KB Securities Vietnam

For domestic economy, although Vietnam soon lifted the lockdown protocols, the economy still has to face many challenges from heavy dependence on exports (106% GDP) (Figure 13). The sharp decline in tourist volume also caused serious damages to tourism and service sectors. However, we expect the Vietnam economy has moved to the later phase of the U-shaped recovery as the Government launched timely rate cuts, easing monetary policies, and much larger fiscal stimulus packages vs the 2008 global economic recession (Figure 14, 15). As a result, Vietnam's June PMI and IIP recorded strong rebounds, and 2Q GDP of posted a positive growth although many economic sectors were paralyzed by the April nationwide lockdown.

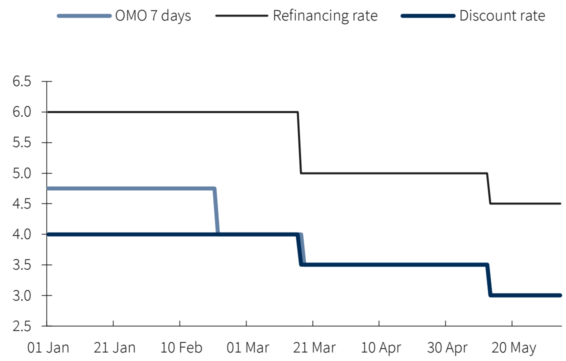
In the base case, we forecast that Vietnam's GDP would grow by 3% in 2020E.

Fig 13. Vietnam – Correlation between nominal GDP & export scale (2007–2019) (USDbn)



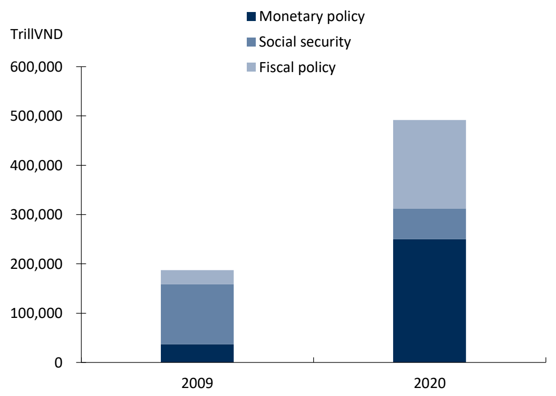
Source: Bloomberg, KB Securities Vietnam

Fig 14. Vietnam – Policy rates



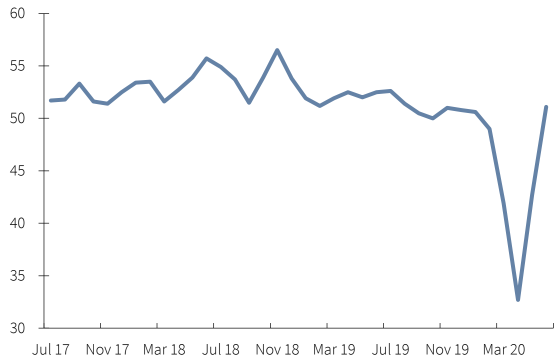
Source: Bloomberg, KB Securities Vietnam

Fig 15. Vietnam – Aid packages



Source: Bloomberg, KB Securities Vietnam

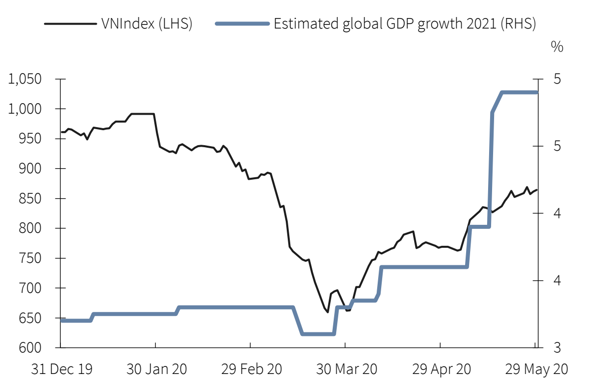
Fig 16. Vietnam – PMI



Source: Bloomberg, KB Securities Vietnam

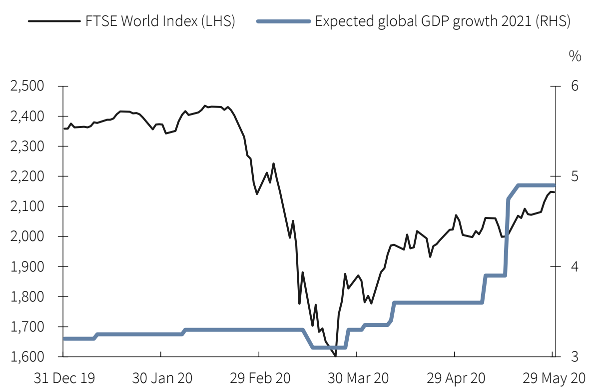
Hopes about quick economic rebounds of Vietnam and other countries after social lockdown were the main growth force of the economies (Figure 17, 18). In fact, the recoveries may happen more slowly due to the defensive consumer sentiment. The resuming of trade activities across countries also needs more time due to concerns on the second wave of Coronavirus. Therefore, the recoveries of business operations may be not as quick as expected, leading to more adverse impacts on the market.

Fig 17. Vietnam – VNIndex vs 20201E global GDP growth



Source: Bloomberg, KB Securities Vietnam

Fig 18. Global – FTSE World Index vs 20201E GDP growth

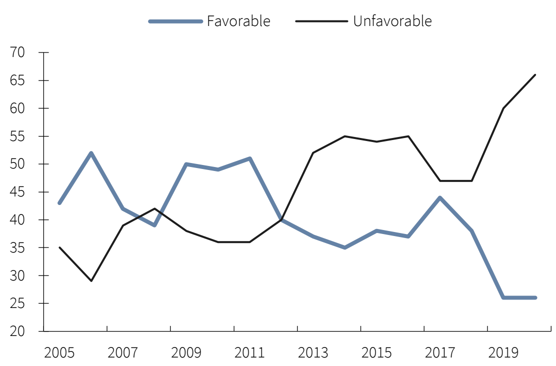


Source: Bloomberg, KB Securities Vietnam

Market driver – Sino-US trade tensions

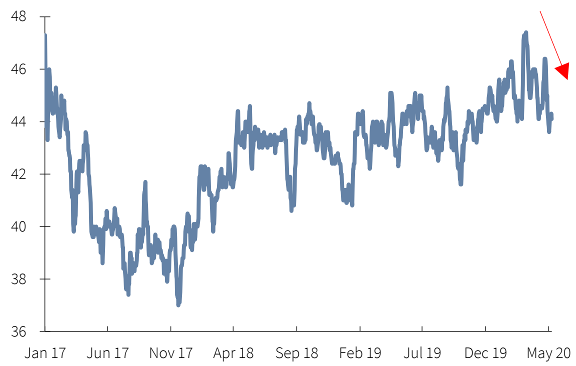
The US-China trade tensions used to be one of the most powerful market drivers in 2018-2019 before the Coronavirus outbreak. There are many signs showing that this factor would gain back the spotlight after the COVID-19 cooled down because of: 1) the US accusation against China for causing the outbreak; 2) the US warning to put sanction on China for passing cybersecurity laws in Hong Kong; and 3) the unsolved core trade issues between the two countries.
Recently, the US took some concrete steps, such as announcing a new sanction on Chinese telecom giant Huawei, passing a bill to unlist Chinese companies, and calling American companies to move their production chains from China.

Fig 19. The US – Views of China



Source: Pew Research Center, KB Securities Vietnam

Fig 20. The US – Votes for Trump

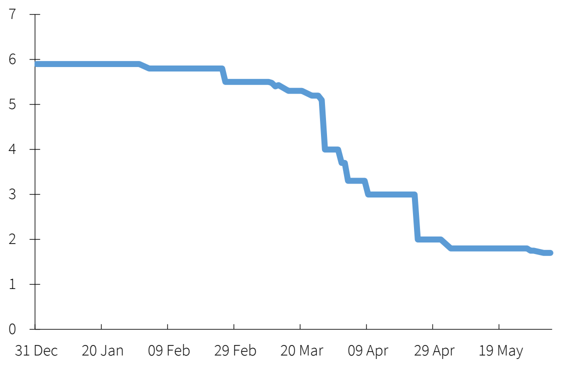


Source: Real Clear Politics, KB Securities Vietnam

It is likely that the tensions between the two big economies would escalate until the US election this November. As the Americans' negative views of China increased, the US President Donald Trump may see this as a chance to gain credibility via harder actions against China, especially when losing his votes (Figure 19, 20).

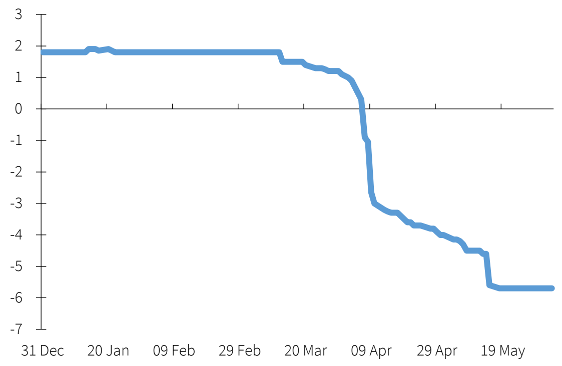
However, we believe that this factor may just have temporary effects on the global market in the second half of the year as the US is less likely to impose another tariff increase on China. In fact, both are hurt by the pandemic, which makes economic recoveries become the first priority (Figure 21, 22). Furthermore, China has not shown any signs of breaking the preliminary agreement with the US, which means China would continue to open its bank card market and buy agricultural crops from the US.

Fig 21. China – Forecast 2020E GDP growth



Source: Bloomberg, KB Securities Vietnam

Fig 22. The US – Forecast 2020E GDP growth

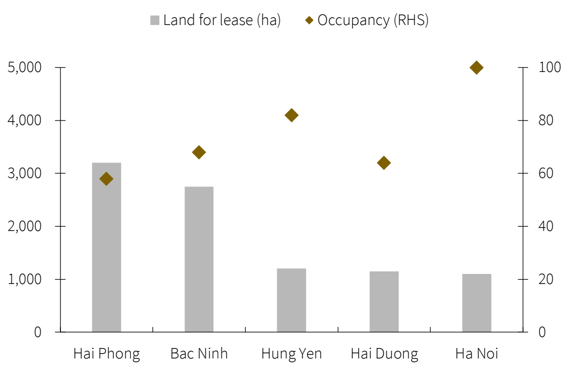


Source: Bloomberg, KB Securities Vietnam

From another view, US-China trade tensions, the approval of EU-Vietnam FTA, and COVID-19 outbreak also benefit Vietnam in terms of FDI attraction. These are all key supportive factors that helped to boost domestic economy, stock market and main beneficiaries like logistics companies and industrial parks.

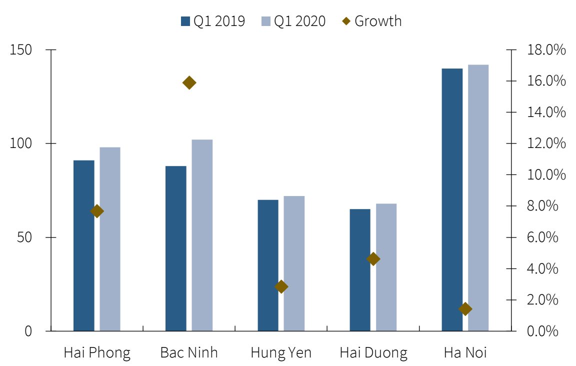
The industrial park real estate sector posted positive 1Q results (released by the Ministry of Planning and Investment). Investment attraction in economic zones and industrial parks gained 86.04% YoY to USD117.76 million. In addition, JLL Vietnam's survey also showed that the demand for land lease in industrial parks in the first months of the year still was still high, with the occupancy rate in the Northern region up 2% vs 4Q.2019, reaching 72% by the end of 1Q.2020, while the average price of productive land price was up 6.5% YoY to USD99/m^2/rental term. Therefore, the medium-term prospect for this sector is relatively bright, especially for businesses that have existing or expanded sources of land for lease.

Fig 23. Vietnam – Total supply & occupancy rate in the Northern region



Source: JLL, KB Securities Vietnam

Fig 24. Vietnam – Rental prices in Northern industrial parks



Source: JLL, KB Securities Vietnam

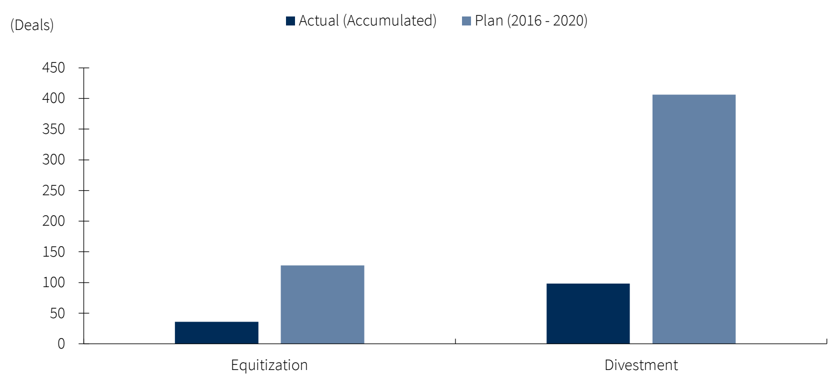
Market driver – Divestment & Equitization

The State's divestment and equitization may hardly see any breakthroughs in the second half of the year, but likely have some positive impacts on the market because:

The progress should be accelerated as the pressure increases in the 3Q and 4Q. The COVID-19 pandemic interrupted the equitization process, so the State did not record any equitized businesses in the first four months of the year. Meanwhile from 2017 until now, the Government has equitized 36 out of 128 enterprises under the Decision No.1232/QD-TTg.

The pressure of increasing national budget is huge. With the main source from taxes, national budget is expected to plunge as aid packages including tax cut and exemption, budget sources from equitization and divestment are important to public investment. Therefore, we expect the Government to disburse in some "attractive" tickers like Song Da Urban & Industrial Zone (SJS), Petrolimex (PLX), and Viglacera (VGC).

Fig 25. Vietnam – Divestment & equitization progress in 2016-2020



Source: Ministry of Finance, KB Securities Vietnam

Classifying the group of divested businesses. Recently, the Ministry of Planning and Investment has just sent a document to the Prime Minister on finalizing the draft Decision to amend and supplement Decision No. 1232/QD-TTg. Grouping businesses would provide a clearer and specific task for each assigned unit. In addition, the transfer of many SCIC deals can accelerate the process and increase the feasibility of State divestment.

Table 2. Vietnam – SCIC businesses that would divest in 2020E

No	Company	Ticker	Government ownership (%)
1	Bao Viet Bank	BVH	3%
2	FPT Group	FPT	6%
3	Vietnam Steel Corporation	TVN	94%
4	Hai Phong Thermal Power Joint Stock Company	HND	9%
5	The Vietnam National Textile and Garment Group	VGT	53%
6	Quang Ninh Thermal Power Joint Stock Company	QTP	11%
7	Pha Lai Thermal Power Joint Stock Company	PPC	0%
8	Vietnam Seaproducts Joint Stock Corporation	SEA	63%
9	Vietnam Vegetable Oils Industry Corporation	VOC	36%
10	Tien Phong Plastics Joint Stock Company	NTP	37%
11	Bao Minh Insurance Corporation	BMI	51%
12	LICOGI Corporation - JSC	LIC	41%
13	Bình Minh Plastics Joint-Stock Company	BMP	0%
14	Vietnam Electronics and Informatics Joint Stock Corporation	VEC	88%
15	Traphaco Joint Stock Company	TRA	36%
16	An Giang Agriculture and Foods Import - Export JSC	AFX	51%
17	Domesco Medical Import Export Joint Stock Corporation	DMC	35%
18	Vinatrans International Freight Forwarders Company	VIN	99%
19	Viet Nam Plastic Corporation	VNP	66%
20	Sai Gon Machinery Spare Parts JSC	SMA	3%
21	Vinacontrol Group Corporation	VNC	30%
22	Sa Giang Import Export Corporation	SGC	50%
23	An Giang Fruit-Vegetables & Foodstuff JSC	ANT	49%
24	Vietnam Hydraulic Engineering Consultants Corporation-Jsc	HEJ	49%
25	Petroleum Information Technology Telecom and Automation JSC	PAI	14%
26	Quang Nam Transportion Construction JSC	QTC	54%
27	TRAENCO JSC	TEC	19%
28	Khanh Hoa Seafoods Exporting Joint Stock Company	KSE	9%

Note: Based on the Decision No.105/QD-DTKDV
Source: SCIC, KB Securities Vietnam

Table 3. Vietnam – 14 state-owned businesses SCIC in 2020E

No	Company	Ticker	Government ownership (%)
1	Vietnam Industrial Construction Corporation	VVN	83%
2	Saigon Beer Alcohol Beverage Joint Stock Corporation	SAB	36%
3	International Manpower Supply and Trade JSC	SON	98%
4	Sovilaco International Manpower	SVL	98%
5	Construction Machinery Corporation JSC	TCK	99%
6	Vietnam National Construction Consultants Corporation - JSC	VGV	87%
7	Building Materials Corporation No 1 Company Limited	FIC	40%
8	Song Da Corporation	SJG	100%
9	Vietnam Water and Environment Investment Corporation	VIW	98%
10	Giai Phong Film Join Stock Company		100%
11	Vietnam Investment Promotion and Tourism JSC		10%
12	Printing Material & Equipments Export - Import JSC		32%
13	General Construction & Export - Import JSC		60%
14	Vietnam Agriculture Product JSC		23%

Note: Based on the Decision No.908/QD-TTg

Source: The Ministry of Planning & Investment, KB Securities Vietnam

Table 4. Vietnam – 18 state-owned businesses that need to build their own divestment roadmaps in 2020E

No	Company	Ticker	Government ownership (%)
1	Vietnam National Petroleum Group	PLX	76%
2	Vietnam Airline	HVN	86%
3	Vietnam Engine and Agricultural Machinery Corporation	VEA	88%
4	Machines and Industrial Equipment Corporation	MIE	100%
5	Viglacera Corporation JSC	VGC	39%
6	Vietnam Exhibition Fair Centre JSC	VEF	10%
7	Vietnam Waterway Construction JSC		37%
8	Printing Export - Import Company		30%
9	Vietnam Feature Film Development and Investment JSC		29%
10	Vietnam Sport JSC		51%
11	Construction and Building Materials JSC		18%
12	Thang Loi Hotel JSC		19%
13	Xuyen Moc Urban and Public Services JSC		32%
14	Ba Ria - Vung Tau International Tourist Services JSC		27%
15	Con Son Export- Import JSC		40%
16	Hai Phong Auctions and Price Appraisal Consulting Company		90%
17	Hai Phong Ship Chandler JSC		39%
18	Phu Yen Environment JSC		91%

Note: Based on the Decision No.908/QD-TTg

Source: The Ministry of Planning & Investment, KB Securities Vietnam

The Government has removed legal obstacles to equitization. Earlier the Ministry of Finance had released an official dispatch No. 4544/BTC-TCDN on post-equitization land usage on April 18, 2019, which made the evaluation and valuation much easier and more accurate.

Table 5. Vietnam – Large companies to be equitized in 2020E

No	Company	Government holding (%)
1	Vietnam Bank for Agriculture and Rural Development (Agribank)	> 65%
2	Vietnam national Coal – Mineral Industries Group (Vinacomin)	> 65%
3	Vietnam Posts and Telecommunications Group (VNPT)	50-65%
4	MobiFone Corporation	50-65%
5	Vietnam National Chemical Group (Vinachem)	50-65%
6	Vietnam Cement Industry Corporation (VICEM)	50-65%
7	Vietnam Paper Corporation (Vinapaco)	<50%
8	Power Generation Corporation 1 (GENCO1)	<50%
9	Power Generation Corporation 2 (GENCO1)	<50%
10	Sai gon Jewelry Company Limited (SJC)	<50%

Source: Ministry of Finance, KB Securities Vietnam

Large projects have been started. The Committee for Management of State Capital submitted the EVNGENCO2 equitization plan to the Prime Minister for approval in August 2020, and planned to make a public placement of this company shares by December 2020. The company's valuation was VND46,102 billion, of which the actual value of state capital was over VND26,506 billion. Although other large equitization deals such as Mobifone, Agribank, Vinacomin are unlikely to be completed in 2020, they absolutely can be conducted in early 2021. This may create early and positive effects on stock market at the end of the year.

Market driver – Public investment

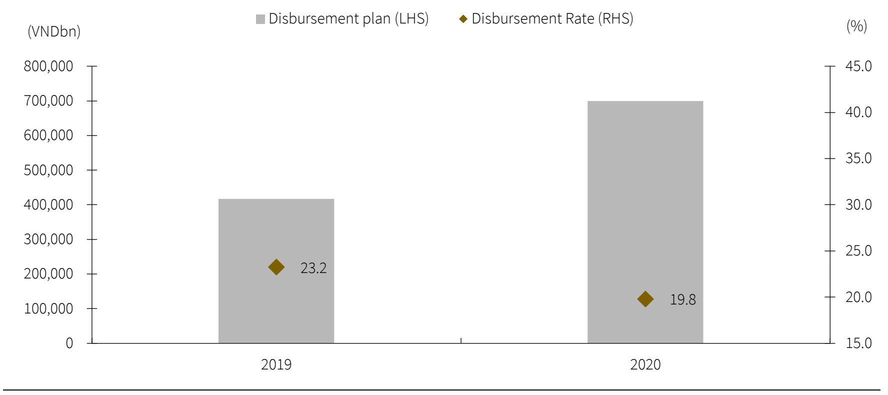
We believe that Vietnam public investment in the second half of the year would have many positive effects on the market because:

The pressure of disbursement sharply increases in the second half of the year. The Law on Public Investment has allowed the disbursed capital plan in 2019 to be accumulated in the next year, making the 2020 budget space quite abundant and reach VND700 trillion (including VND470.6 trillion in 2020E and VND225.2 trillion from 2019 capital). However, due to the impact of the COVID-19 pandemic, the estimated public disbursement as of May 31, 2020 was only VND122,241 billion, equivalent to nearly 19.8s% of the 2020E. It can be seen that the disbursement rate is very low and the disbursement plan for the total public investment capital of VND700 trillion is nearly impossible.

However, there are some factors that can boost public disbursement in the 2H.2020: 1) well-insulated COVID-19, mainly removing a big obstacle to public disbursement in the 1H.2020; 2) the Government's priority to public disbursement - one in top five main objectives of the year; 3) legal issues solved thanks to new public disbursement law, effective from January 1, 2020; and 4) the positive results achieved from the previous four years in the five-year socio-economic development plan (2016-2020), giving favorable background for big projects such as North-South high speed railway and Long Thanh International Airport.

The public investment law allowed undisbursed capital in 2019 to be added to the 2020 national budget, raising the budget up to VND700 trillion. Therefore, the disbursement progress in five months of 2020 seemed to be slow, but it basically increased 26% vs five months of 2019

Fig 26. Vietnam – Planned public investment & disbursement progress (VNDbn – %)



Note: Disbursement progress of five months in 2019 and 2010
Source: Ministry of Finance, KB Securities Vietnam

We have noted some signs showing that the Government is accelerating public disbursement in the 2H.2020:
- The Prime Minister released the Document No. 623/TTg-KTTH asking Ministers, and Heads of Government bodies to hold the main responsibility if the disbursement plan for that department is not completed. Besides, the Government also decided to cut and transfer the 2020 public investment capital of these bodies which only have the disbursement rate under 60% of the 2020E plan as of September 30, 2020 to important and urgent projects with high disbursement rates.
- The National Assembly agreed to change three component projects of North-South high-speed railway (Vinh Hao - Phan Thiet, Mai Son - National Highway No. 45 and Phan Thiet - Dau Giay) from public-private partnership (PPP) to public investment with the goal of starting construction by the end of 2020. Although this added VND7,350 billion in the 2020E investment capital, we believe that the Government can solve this by transferring national budget from projects with low disbursement rates or advancing 2021E budget according to the regulations in Clause 1, Article 57 of the State Budget Law.
- For the Long Thanh International Airport project, the Government issued a document urging Dong Nai province to disburse VND23,000 billion of ground clearance expenses in this year. The ground leveling and construction of connected transport items should start from July 2020, which are the initial steps to start Long Thanh by May 2021.

Table 6. Vietnam – 11 component projects of the North-South high-speed railway

No	Projects	Investment Amount (Billion VND)	Type of Investment	Commencement Date
1	Cao Bo - Mai Son	1,600	Government investment	2019
2	Mai Son - Route 45	12,920	Government investment	2020-2022
3	Route 45 - Nghi Son	6,330	PPP	2021-2023
4	Nghi Son - Dien Chau	8,380	PPP	2021-2023
5	Dien Chau - Bai Vot	13,340	PPP	2021-2023
6	Cam Lo - La Son	7,670	Government investment	2019
7	Nha Trang - Cam Lam	7,615	PPP	2021-2023
8	Cam Lam - Vinh Hao	13,690	PPP	2021-2023
9	Vinh Hao - Phan Thiet	11,600	Government investment	2020-2022
10	Phan Thiet - Dau Giay	14,360	Government investment	2020-2022
11	My Thuan 2 Bridge	5,000	Government investment	2020

Source: Ministry of Transportation, KB Securities Vietnam

We believe that there are two main beneficiaries when the Government accelerates public disbursement:

Construction-related stocks that are likely to win big infrastructure projects: The Ministry of Construction assigned Song Da Corp (SJG) to conduct a part of the North-South high-speed railway project (100% state capital). For the remaining five PPP projects, the Government may choose preliminary selected investors such as Cienco4 (CG4) and Hoa Binh Construction (HBC), Licogi 16 (LCG), FECON (FCN), and Vinaconex (VCG). In particular, as payback periods of some CG4's National Route 1 BOT projects were adversely affected by the North-South high-speed railway, this company will most likely be the favored name.

Table 7. Vietnam – List of preliminary selected PPP investors of the North-South high-speed railway

No	Projects	Investment Amount (Billion VND)	The list of prequalified investors
1	Quoc lo 45 - Nghi Son	6,330	(1) Joint venture Cienco4 - Hoa Binh - Thuan An - Tan Thanh Do - Engineering Construction JSC No.18 (2) Joint venture Licogilo JSC - FECON - 468 JSC- Phuoc Tien construction company - FECON infrastructure and Urban development JSC
2	Nghi Son - Dien Chau	8,380	(1) Joint venture Tan Nam - Vinaconex - Thai Son (2) Joint venture Hoa Hiep - Vinaconex 2 - Cienco4 - Nui Hong
3	Dien Chau - Bai Vot	13,340	(1) Joint venture Hoa Hiep - Vinaconex 2 - Cienco4 - Nui Hong (2) Joint venture Đeo Ca - Hai Thach - Ha Thanh - Hoang Long - Tien Đai Phat (3) Joint venture Vinaconex - Tan Nam - HCJ
4	Nha Trang - Cam Lam	7,615	(1) Joint venture Vinaconex - Duy Tan - Truong Long (2) Joint venture Cienco4 - Thuan An - Tan Thanh Đo (3) Son Hai company (4) Joint venture Mien Trung - Cuong Thinh Thi - Ciencol - 873 - 168 (5) Joint venture Phuong Thanh - Nguyen Minh - Nhac Son - Tu Lap
5	Cam Lam - Vinh Hao	13,690	(1) Joint venture Trung Nam - Horizon - Hai Đang - Son Hai (2) Joint venture Vinaconex - VN.ETDEI - FECON (3) Joint venture Đeo Ca - Hai thach - 194 (4) Joint venture Cienco4 - Hoa Bình - Engineering Construction JSC No.18 - Phuong Thanh - Thuan An

Source: Ministry of Transportation, KB Securities Vietnam

For airport infrastructure development projects, Airports Corp of Vietnam (ACV) was considered the most potential developer. ACV was assigned to invest VND11,000 in the T3 Terminal in Tan Son Nhat International Airport, which should start by October 2021. The corporation is also likely to win the auction to build Long Thanh International Airport next year.

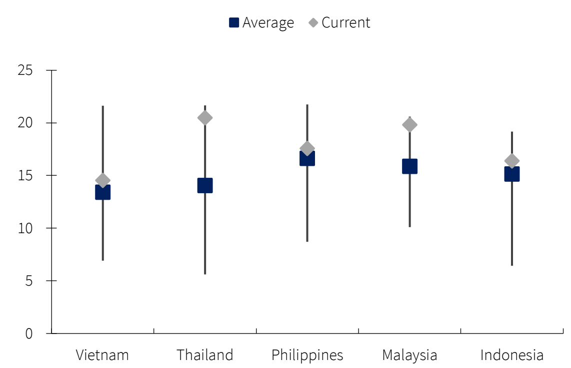
Construction material providers with rising consumption demand. For steel industry, Hoa Phat Group (HPG) is the main beneficiary with price and quantity advantages gained from the Dung Quat project. Binh Duong Mineral & Construction (KSB) and Hoa An JSC (DHA) are stone companies that can take advantage of large number of quarries and huge mining capacity. In addition, Ha Tien 1 Cement (HT1) and Bim Son Cement (BCC) are the two typical names in the cement production industry.

Recommendations & Valuation

After assessing favorable factors and risks to the market in the last six months of the year, in line with comparing the main indices of the VNIndex with historical data and indices of regional markets while other competitive investment channels became less attractive (surging gold prices, low savings interest rates, less attractive USD investment due to stable VND, etc.), we think that the current price range of Vietnam stock market is reasonable for stock accumulation in the medium and long term. In addition, we believe that domestic macro growth and business operations of listed companies would get back to normal or almost normal in 2021, although the macro health in the latter half of 2020 is very unpredictable.

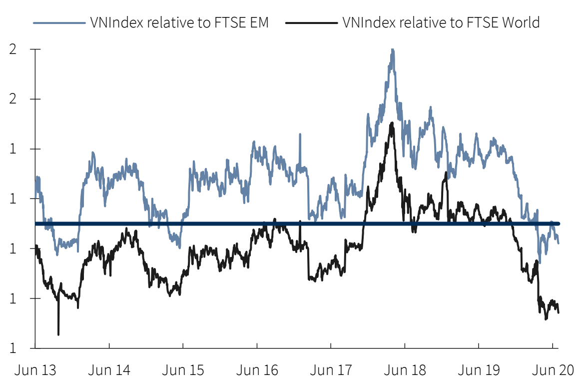
However, investors need stay cautious about the risk of short-term correction on the market as the 2Q business performance may be more negative than expected. In a negative scenario, we need to reassess the EPS growth in 2020E vs the current forecast (down 7% -10% YoY).

Fig 27. Vietnam & Region – 12M P/E forward (2009-2020)



Source: Bloomberg, KB Securities Vietnam

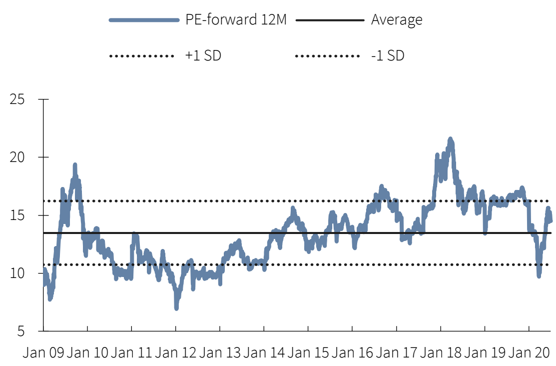
Fig 28. Vietnam – 12M P/E forward of VNIndex vs FTSE EM Index & FTSE World Index



Source: Bloomberg, KB Securities Vietnam

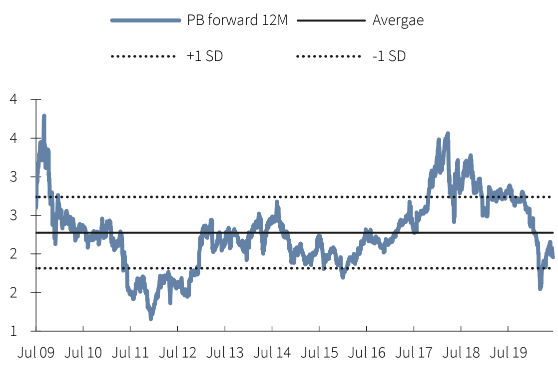
It can be seen that the 12-month P/E forward of VN-Index is lower than the regional countries' (Figure 27). 12-month P/E forward of VN-Index has also been lower than FTSE EM Index and FTSE World Index since 2013 (Figure 28).

Fig 29. Vietnam – 12M P/E forward of VN-Index in the past



Source: Bloomberg, KB Securities Vietnam

Fig 30. Vietnam – 12M P/B forward of VN-Index in the past (2009-2020)



Source: Bloomberg, KB Securities Vietnam

Based on historical data from 2009-2020, the P/E forward of VN-Index is above the average but still in a reasonable area, while the 12-month P/B forward is quite low compared to the average.

Real estate

Outlook: Neutral
Tickers: VHM, KDH, NLG, HDG

The real estate market has not become fully active again, but gradually recovered after the COVID-19 lockdown was lifted. As the pandemic was controlled domestically, many companies quickly restarted properties selling after the lockdown. However, the risks of the virus second-wave weighed on buyers' sentiment, hindered sales speed and market absorption.

Unsolved legal issues remained as a big obstacle to each company's post-pandemic recovery and growth, although some recently released policies boded well for solutions to legal issues. For example, Ho Chi Minh City allowed investors to invest again in Thu Thiem new urban area, District 2 and many other key areas.

The highlight of the industry in 2020 is the promotion of public investment with some large projects such as the North-South high-speed railway, Bien Hoa-Vung Tau high-speed railway, and Long Thanh International Airport, which will benefit many related companies.

Companies with large clean land bank, good legal status, and safe financial structure such as Vinhomes (VHM), Khang Dien House (KDH), Nam Long Group (NLG), and Ha Do Group (HDG) are ideal investment choices when the market gained further balance after the pandemic.

Property Analyst – Pham Hoang Bao Nga

Industrial parks

Outlook: Neutral in short term, positive in long term
Tickers: KBC, VGC

In the short term, 2020E FDI inflows would slow down due to COVID-19. The total registered FDI in the first six months was USD 15.7 billion, down 15.1% YoY. Of which, newly registered FDI reached USD 8.4 billion, up 13.5% yoy, but if excluding the LNG project in Bac Lieu with total investment of USD4 billion in January, the figure would fall 40.5% yoy. Disbursed FDI reached USD3.9 billion, down 6.6% yoy. The shrinking investment scale vs 2019 and travel restrictions across countries partly reflected Coronavirus impacts on foreign investors' decisions. However, we expect that the impacts of the disease in 3Q to fade away compared to 2Q when Vietnam successfully takes control of COVID-19 and allows selective flights to bring foreign experts, or business partners from Korea, Japan, etc. to Vietnam.

In the medium term, Vietnam's industrial real estate industry would gain numerous benefits from new FTAs and the relocation of production chain from China. Accordingly, the demand for existing industrial properties and warehouses would increase. Accelerated public investment also helps to rise the connection across parts of the country. Industrial parks located in big cities and provinces should soon reach the maximum occupancy rate, so the market tends to expand to other provinces such as Ba Ria - Vung Tau, Hai Duong and Bac Giang.

Investors can consider Viglacera (VGC) and Kinh Bac City (KBC) when the market is more stable. The two companies own large leasable landbanks with the respective area of 1,182 hectares and 952 hectares. This land area is concentrated in Bac Ninh, Bac Giang and Hai Phong, which have ideal location and developed infrastructure. They also signed many sales contracts in 2019 whose earnings could be accounted in 2020.

Property Analyst - Pham Hoang Bao Nga

Banks

Outlook: Neutral
Tickers: VCB, ACB

The annual shareholders' meetings draw a picture of the banking industry with many different colors. While many announced flat guidance like Techcombank (TCB, up 1% YoY), Vietnam Prosperity Bank (VPB, down 1.1% YoY), Asia Commercial Bank (ACB, up 1.5% YoY) and bearish Military Bank (MBB, down 10% YoY), many banks disclosed confident 2020E plans like Vietcombank (VCB, up 10% YoY), Bank for Investment & Development (BID, up 15% YoY), Ho Chi Minh Development Bank (HDB, up 13% YoY) and Vietnam International Bank (VIB, up 10% YoY). VCB, MBB, ACB, HDB & VPB have already finished more than a half of full-year earnings targets right in 1H.2020, so they are quite confident that they would reach 2020E targets. Most banks set goal to raise capital in 2020 and announced dividend payouts ranging from 7% to 65% in addition to bond issuance and private placement.

Disbursed capital was blocked with slow credit growth in the first six months due to COVID-19. Data from the General Statistics Office showed that mobilized capital of credit institutions as of June 19, 2020 fell to 4.35% from 6.09% the same period last year, and credit growth was only 2.45% vs 6.22% in 2019, while there was a large volume of bills matured in April (estimated at VND150 billion). Despite abundant capital combined with slow credit growth due to the pandemic in the 1H.2020, we hope that the situation could be improved for the rest of the year when the business operations gradually get up, and the Government launches more stimulus packages.

In order to boost net interest incomes and prevent a decline in net interest margin (NIM), banks cut deposit rates to offset low credit interest rates, especially after the State Bank cut policy rates on May 12, pushing long and medium-term deposit rates down quickly compared to the two previous cuts. 2020E NIM could be reduced to 0.1% -0.25% under the influence of COVID-19.

However, direct and indirect COVID-19 impacts and customer support packages hide the risk of increasing non-performing loan (NPL) ratio in the medium term. The Circular No.1 issued in March 2020 only temporarily delayed the increase in NPL ratio, the financial picture of the banking industry in the 2H.20 would show clearer impacts of the pandemic, especially on financial quality. The pressure of bad debts and debts needing special attention can push up credit costs to prevent bad debts and directly affect bank profits as well as operations in the following years.

VCB and ACB are expected to outperform other in the same industry thanks to outstanding health and catalysts. VCB ranked first among banks in terms of financial health, and reasonable capital raise plan in 2H.20, while ACB has prudent business strategies, planned to change listing to the Hanoi Stock Exchange and divest from ACBS.

Financials Analyst – Nguyen Thi Thu Huyen

Thermal power

Outlook: Positive
Tickers: HND, NT2

The COVID-19 exerted many negative impacts on power consumption, especially during the nationwide lockdown. The power consumption in April 2020 fell 9.5% YoY, but gained 1.6% in May when the operations of power plants resumed and stabilized. The consumed volume rose 1.9% YoY to 97.4 billion kWh in the first five months, and hit a record high of 38,300 MW as of June 23 due to prolonged hot weather.

El Nino was the main reason leading to the water shortage in many hydro power plants. Currently, the reserved water in reservoirs is very low compared to the average level in many previous years, reaching only 25-70% of average for the North, 40-70% for the Central, and 20-40% for the South. Hydro plants were mobilized with more power capacity in the first six months to offset the power shortage. We believe that the shortage situation would be more positive in the 2H.20 rainy season.

The progress of power plant construction projects was also slower due to the pandemic as many foreign experts and equipment met difficulties in coming to Vietnam. This would exacerbate the current power shortage, and help existing power plants to be mobilized with higher capacity.

We noted three main potential risks to thermal power plants: 1) *Weather conditions*. As hydo plants are always favored thanks to low costs, if the water reserve increases, hydo plants will benefit, thermal plants will receive bad effects and vice versa. 2) *Input material shortage*. The two input materials for thermal power, coal and gas, are increasingly exhausted. 3) *Re-signing power purchase agreements* after power plants have paid off all debts.

More importantly, many power plants gradually paid off all debts, helping to improve interest expenses and business performance. Being out of debts, power plants may receive many large cash inflows, and can pay cash dividends such as Pha Lai Thermal (PPC), Nhon Trach 2 (NT2), Hai Phong Thermal (HND), and PV Power (POW). In addition, some plants have also fully depreciated its fixed assets or fully allocated the exchange rate difference, which will strongly improve its business results such as PPC and Quang Ninh Thermal (QTP).

Power & Construction Material Analyst – Le Thanh Cong

Container ports

Outlook: Neutral
Tickers: GMD, VSC, DVP, HAH

Total May contraction import-export turnover reached USD37.9 billion, down 15.7% YoY, which is also the main reason for the 3% YoY decline in vessel tonnage in Hai Phong port cluster. Unpredictable movements of COVID-19 are affecting the global demand, and its impacts would be reflected in the industry performance if the pandemic does not end soon.

The container throughput in Hai Phong downstream ports saw a decrease due to the pressure of Lach Huyen Port. May also saw this port welcome more large vessels over 90 thousand tons, including the *One Contribution* and *CSCL Bohai Sea*. Lach Huyen's strong competitiveness has caused a significant drop in performance at the downstream Hai Phong ports, especially the Nam Dinh Vu and VIP Green ports. That said, upstream ports have since stabilized somewhat after a period of sharp decline.

Meanwhile, the Cai Mep-Thi Vai port cluster's growth was still healthy. Total container throughput in Vung Tau was up 14% in the first four months of the year despite the coronavirus according to the Maritime Administration of Vung Tau. Key projects to improve the transportation system to the Cai Mep-Thi Vai port cluster are being expedited. Current projects in need of urgent completion include the 991B road, Phuoc Hoa-Cai Mep road and Cai Mep-Thi Vai inter-port road all scheduled to be finished in 2021. Resolving these infrastructure issues should go a long way to make the prospects for the Cai-Mep-Thi Vai increasingly more attractive.

We believe that the port industry would post recoveries after the COVID-19 ends thanks to: 1) stable import-export turnover at 10-12%; 2) non-stop FDI inflows to Vietnam; and 3) benefits from FTAs. However, the trend favoring large vessels in the world would benefit deep-water ports like Saigon Newport and Gemadept (GMD) only, so other ports may stand at the risk of losing market share and changing use purpose in the long term.

Information Technology & Logistics Analyst – Nguyen Anh Tung

Information Technology

Outlook: Positive
Tickers: FPT, CMG

Software outsourcing was still the main growth force in the first six months of the year. The Coronavirus outbreak was expected to not hit this business segment too hard as staff could work from home, and the demand for technological solutions of many companies sharply increased in this period.

The potential growth of software outsourcing is still positive due to (1) high global demand. Software outsourcing does not require a high level of brainpower, but a large number of employees, so many countries are in shortage of personnel. (2) Vietnam's low labor cost for software engineers compared to other countries (24% lower than India and 54% lower than China), which is a major competitive advantage. However, increasing personnel costs due to the market competitiveness may affect businesses' growth potential, which needs to be followed closely in the long term.

It is expected that gross profit margin of software outsourcing would improve in the medium term when the credibility to business partners as well as contracts with more added value increase.

The broadband internet segment was affected in the short-medium term as the pandemic made the number of new contracts decrease, especially contracts with institutional customers. This segment may grow further in the long term, but profit margin should go down because (1) Internet fees in the provincial market are usually lower due to customers' low incomes; and (2) companies without official and stable infrastructure will have to outsource, thereby increasing operating costs.

Information Technology & Logistics Analyst – Nguyen Anh Tung

Retailing

Outlook: Positive
Tickers: MWG, PNJ, DGW

May retail sales of consumer goods & services jumped by 27% MoM but were down 5% YoY according to data from the General Statistics Office. May was the first full month after the nationwide lockdown ended over the April 30-May 1 holidays and recovery was seen for both shopping and consumer goods. Travel services saw the sharpest pick up and were nine times the level seen in April at VND450 billion but were still down 88% YoY. Retail sales were the only area of positive YoY growth and posted a 2% increase to VND311 trillion. For the first five months of the year, total retail sales & services were down 4% YoY to VND1,914 trillion. Of this, retail sales of goods were the one bright spot in the year-to-date data and rose by 1% YoY between January and May to VND1,547 trillion. Data was supported by supermarkets that stayed open to provide essential goods and the consumer shift to Ecommerce platforms during the lockdown, as well as the government's successful campaign to maintain stable pricing and avoid price gouging during the shutdown. The reopening of shopping malls also contributed from May.

E-commerce and online shopping platforms played an important role in compensating for slower retail sales in the traditional channels during the lockdown. This trend continues as the slow recovery in in-store foot traffic to pre-lockdown levels sees many retailers expanding online services to groceries, such as 'Tikingon' by Tiki or 'shopping on behalf of customers' model by Mobileworld (MWG). Grab has also activated a new platform 'GrabMart' to serve customers' shopping needs while staying at home. Digiworld (DGW) also plans to boost its presence by putting products on e-commerce sites.

In 3Q.2020, according to the scenario that the second wave of COVID-19 does not occur in Vietnam, the retailing industry is forecast to recover. This has been partly reflected in two-digit growth of MWG and Phu Nhuan Jewelry (PNJ) in May. DGW's revenue should also grow as the company benefits from the surge in laptop sales thanks to rising demand for distant learning and work; and the signed cooperative agreement with Apple to sell 50,000 genuine products by the end of 2020. We expect that in the near future, people's consumption demand would grow further and change towards modern trading. Accordingly, retailers that take advantage of both offline and online channels will benefit.

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

Oil & Gas

Outlook: Negative
Ticker: GAS

Brent prices rebounded in 2Q.2020 after 1) OPEC+ countries agreed to cut output to a record low 9.7 million barrels a day from May to July and would gradually decrease over the next two years; and 2) there were hopes for the global economic recoveries. However, Brent oil prices this year will hardly return to the high level as seen by the end of 2019 due to slow economic reopening on fears of a second wave of Coronavirus. 2020E oil prices should move around USD40 per barrel, down 38.5% vs USD65 in 2019.

1Q oil plunges exerted profound damages to the industry. 1H earnings of PV Gas (GAS) was down as gas prices directly depend on oil prices (Selling price = MAX [46% HSFO price, wellhead price] + tariffs), but oil price recoveries would help to heal parts of GAS earnings in 2H.20. PV Drilling & Well Services (PVD) rig utilization fell from 99% to 89% from Malaysian production cuts and delays until 2021E. To compensate for this, PVD will also try to expand opportunities the Middle East and Europe. PV Technical Services (PVS) has no new big projects except for *Sao Vang – Dai Nguyet* and *Gallaf – Al Shaheen* in this year, but *Nam Du U Minh* is a potential project for PVS in the next year with an estimated revenue of USD200 million. Downstream companies such as Binh Son Refinery (BSR), Petrolimex (PLX), and PV Oil (OIL) recorded negative profits in 1Q due to the higher cost of inventories compared to selling prices. The recovery in oil prices has also facilitated the downstream companies to reverse the provision recorded in 1Q, but earnings should also decline in the same period. Particularly, PVT still posted positive profit growth this year, not to strong because shipping volume was also affected when Binh Son and Nghi Son refineries were in maintenance period or not function at 100% capacity.

Oil & Gas & Chemicals Analyst – Nguyen Vinh

Fisheries

Outlook: Positive for shrimp & neutral for pangasius
Ticker: FMC

Vietnam's shrimp exports were valued at USD1.2 billion (up 2.3% YoY) in the first five months of 2020, and is expected to maintain healthy growth in the 3Q thanks to: 1) advantages over main competitors which are fighting against the pandemic; 2) eliminated import tariffs to the EU thanks to EVFTA; and 3) minimal bad impacts from the COVID-19 on shrimp supplies. Indian shrimp were bred after the lockdown ended in late May, and could not be harvested until the 3Q, while Ecuadorian shrimp businesses were facing challenges involved in liquidity and lower capacity. The EVFTA will immediately eliminate the 4.2% import tariff on Vietnam's frozen shrimp when the treaty comes into force in August 1st, and Sao Ta Foods (FMC) would be among main beneficiaries (main revenue depends on the EU market). In Vietnam, shrimp farming was not disrupted on well-insulated COVID-19, thereby ensuring shrimp supplies.

Vietnam's pangasius exports are expected to recover from the middle or the end of 3Q in line with rebounding demand in major markets, but the risk of a second COVID-19 wave still exists. May exports for pangasius fell by 15% YoY compared to drops of 19% YoY in April and 29% YoY in March following the resumption of China shipments in March. The EU market has also been reopened since May, along with the import tariff on frozen pangasius fillets gradually reduced from the current 5.5% when the EVFTA begins from August. The US market was gradually stabilized and the export growth of pangasius should be higher due to low export turnover in the same period last year. However, Vinh Hoan Corp (VHC) and Nam Viet Corp (ANV) are still looking for opportunities while consumers are still hesitant to eat out at restaurants and bars due to COVID concerns.

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh
binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh
anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh
trinhttv@kbsec.com.vn

Market Strategist – Le Anh Tung
tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu
hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung
tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga
ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong
conglt@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen
huyenntt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim
harrison.kim@kbfg.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung
dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh
danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh
vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin
shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:
Levels 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 Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 - Fax: (+84) 24 3822 3131

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

Saigon Branch:
Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 - Fax: (+84) 28 3910 1611

CONTACT INFORMATION
Institutional Client Center: (+84) 28 7303 5333 - Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 - Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks
(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors
(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market