

NOVEMBER

21

FRIDAY

**ADVISORY DIARY**

- **Circular No.36: A view of RongViet Securities**
- **Trading used margins no longer a good choice in the short-term?**

**Circular No.36: A view of RongViet Securities**

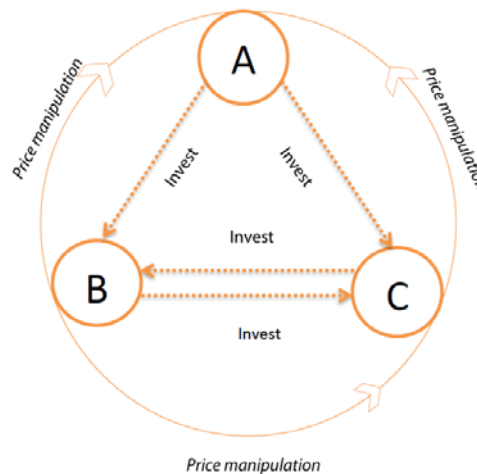
This week, the market has staggered by information on the revised draft of lending rate for securities investment of commercial banks and foreign bank branches in Vietnam. The anxiety of investors showed after "the rumor" being spread within the session on 18 Nov. Two floors simultaneously lost points, notably to reduce sharply on HOSE when VNINDEX went down 6.68 points, lost the level of 600 points. This has raised investors' concern about the ability of limit for stock investment loan tending to be tightened

In the past three days, this circular did spend quite a lot of ink and paper of media sites as well as attracted a quite few discussions. Generally, there are two below points to be considered:

- (1) Cir.36 stipulates the credit limit for share investment is not exceed 5% of the charter capital of commercial banks while Cir. 13 is not more than 20%, but of common stock investment (including both stock and bond in general with high proportion). Representation of SBV has released the figure show that the share of investment loans of commercial banks currently has accounted for around 4% of the charter capital. Thus, the figure of 5% does mean the orientation, not tightness. We also believe that splitting the prescribed limit lending assets of different risk characteristic is a positive point in the monitoring effort of Cir.36

*"Trading used margins no longer a good choice in the short-term?"*

Figure: Cross investments between companies



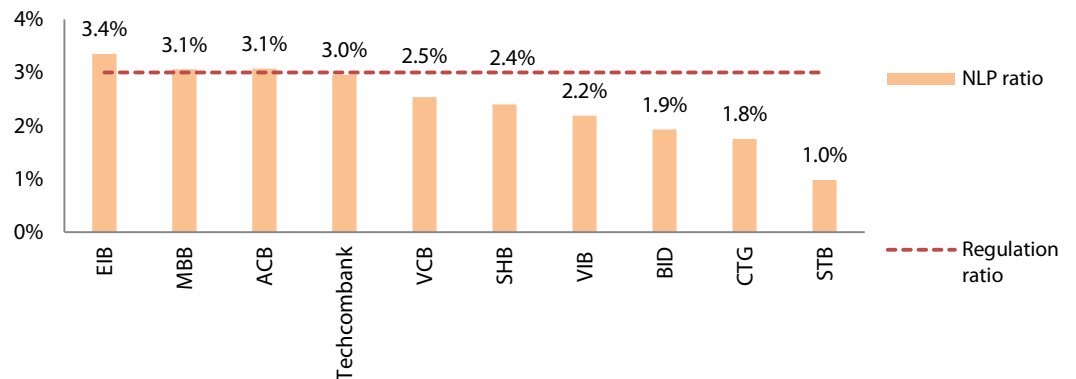
Source: RongViet Securities compiled

Besides, the regulation is an alarm bell for some cross investments between enterprises, creating financial revenue and the risk of "blow back" bubble property on the market that we has observed in recent times. We believe that this is contributing to adjust cheap capital inflows into the manufacturing business instead of not controlling stock investment behavior as the period 2006 -2008.

- (2) The banks with bad debt ratio of above 3% are not allowed to lend securities investment. This is new information known after publishing Cir.36 this morning. We believe that the

reduction of the market today was effected by this new location.

Figure: NLP ratios of commercial banks



Source: RongViet Securities compiled

According to the statistics, a NPL ratio of 3% appeared on most banks and we believe that a large amount of that proceeded from a loan that used for investing to its owned bank. In compliance with the regulation, banks with NPL ratio of over 3% must deduct the NPL ratio by writing off the balance sheet, increasing credit outstanding (less feasible measures) or deducting loans used for stock investment. In case that the last measure becomes common, a large number of put-through transactions would occur in following periods.

We believe that the State Bank of Viet Nam added another regulation to tackle two targets (1) the State Bank of Viet Nam should be active in tackle NPL ratio to maintain its credit activity (2) Ensuring efforts to keep interest rate at low level in order to maintain cash flow in operating activities instead of speculative inside stock market. However, the double and triple price increasing in some of the stocks provoke lots of investor's greed and made them forget the lesson in 2007-2008 and 2009-2010.

According to our opinion above, we believe that speculation side which use high margin could be worry and cautious in the suitable time. Meanwhile, investment activities based on business result and the stable growth rate of firm should consider this Circular in a positive standpoint.

**Trading used margins no longer a good choice in the short-term?**

The market today was filled with pessimism, especially investors who use margin for trading. The selling pressure was overwhelming after the announcement of Circular No.36. As a result, VNIndex dropped by over 5 points and closed at 588. As the above analysis, the Circular No36 seems to provide several effects including positive ones which play a role as the monitor and market orientation. However, the indices still witnessed a significant downtrend regardless of that optimistic meaning.

An information related to a reduce in margin usages of huge securities at Penny stocks such as FIT, KLF, FLC induced intensified selling pressure in the afternoon. Specifically, FLC closed at floor price after reaching ceiling price yesterday with spectacular trading volume of over 50 million shares. Besides, KLF and FIT which are in consideration for margin cut next week witnessed an equal fall of 2% and 1% respectively with corresponding trading volume of more than 19 million and 4 million shares. The pessimistic sentiment spread from speculative to blue-chips shares causing 23 shares in VN30 to fall including PVD (-3.3%), KDC (-5.5%) and remain in selling shares list of foreign investors. Moreover, these stocks were still in the list of top net bought of foreigners. We see the both sides of the Circular No36 and realize that today's trading was not as

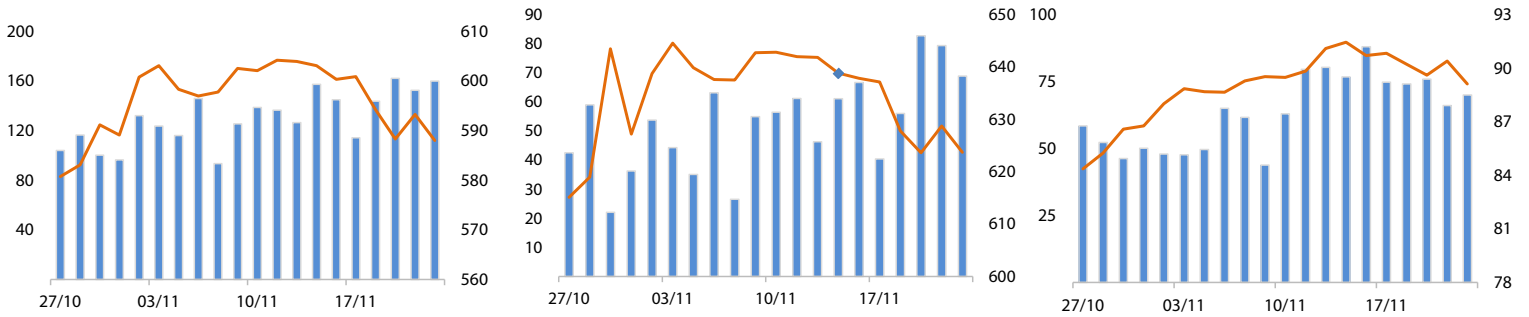
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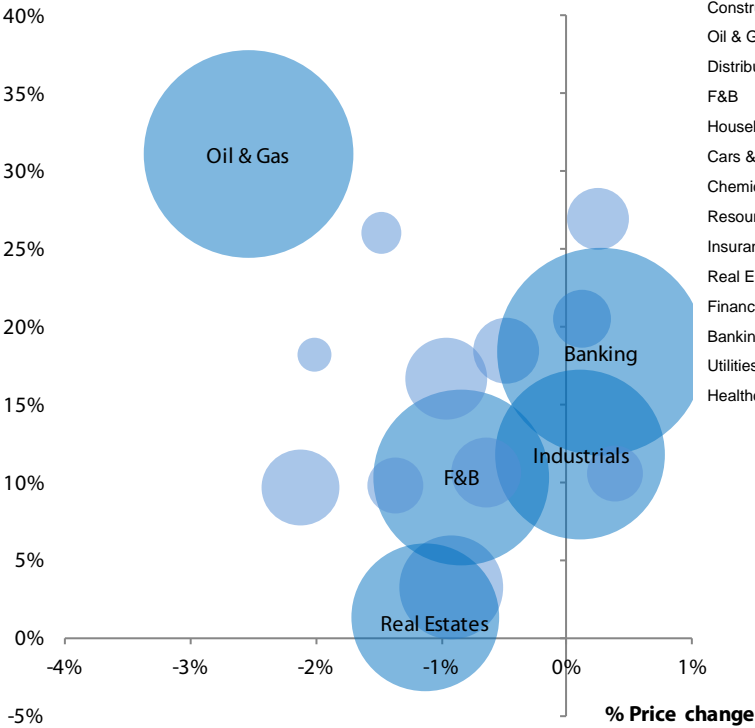
pessimistic as it happened. As mentioned in the priors advisory diaries along with a conclusion of conservative accumulation in our strategic report in November, we believe that a trading used by margin was not a best choice. The investors should accumulate good fundamental stocks in corrections (if any) by their own finance.

**VNINDEX -0.89% 588.03    VN30 -0.80% 623.74    HNXINDEX -1.43% 89.14**



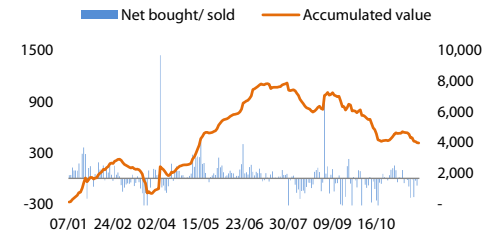
**Industry Movement**

**Industry ROE**

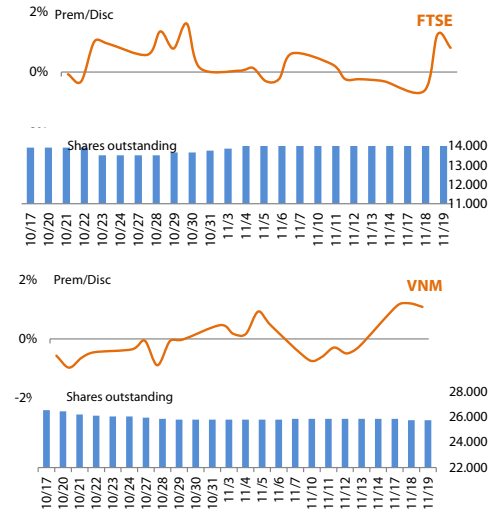


Industry	% change
Technologies	0.1%
Industrials	0.1%
Constructions	-0.9%
Oil & Gas	-2.5%
Distribution	-2.0%
F&B	-0.8%
Household Goods	-1.4%
Cars & Parts	-1.5%
Chemicals	-0.5%
Resources	0.3%
Insurances	-1.0%
Real Estates	-1.1%
Financials	-2.1%
Banking	0.3%
Utilities	-0.6%
Healthcare	0.4%

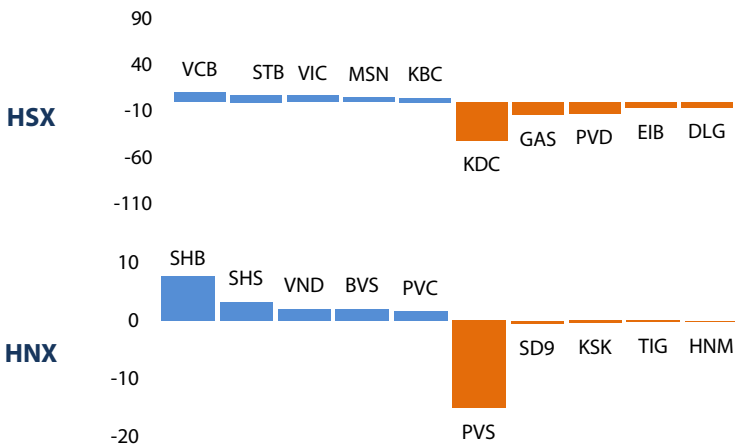
**Foreign Investors Trading**



**ETF**



**Top net bought/sold by foreigners (VND bn)**



**Top Active**

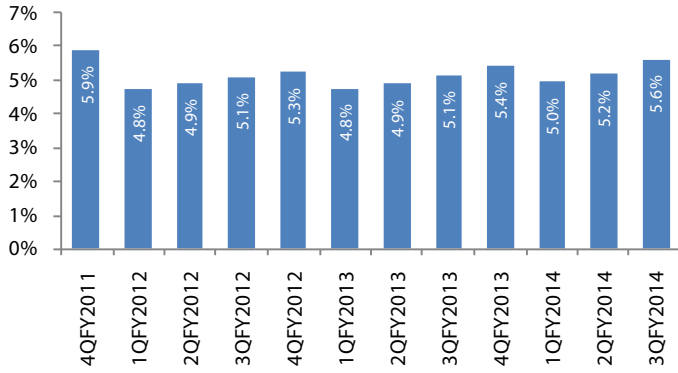
Ticker	Price	Volume	% price change
FLC	12.8	33.16	-2.3%
VHG	16.2	12.49	-6.9%
PVT	17.9	6.15	1.1%
ITA	8.8	5.64	-2.2%
OGC	9.1	5.08	-1.1%

Ticker	Price	Volume	% price change
KLF	15.00	19.00	-2.0%
FIT	30.90	4.10	-1.0%
SHB	8.90	3.90	2.3%
PVX	6.20	3.70	-1.6%
AAA	16.30	3.30	1.9%

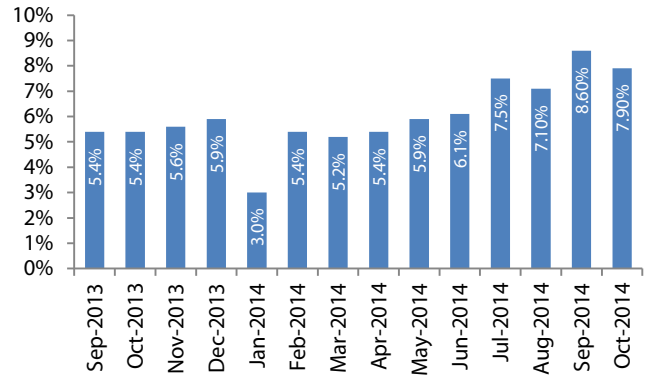
**MACRO WATCH**

**Graph 1: GDP Growth**



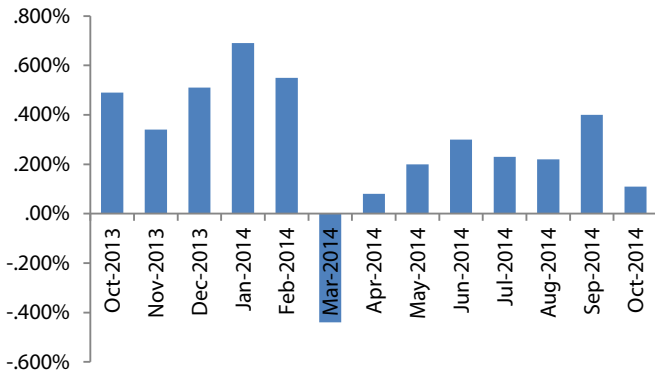
Sources: GSO. Rongviet Securities database  
(\* Comparison price in 1994)

**Graph 2: IIP**



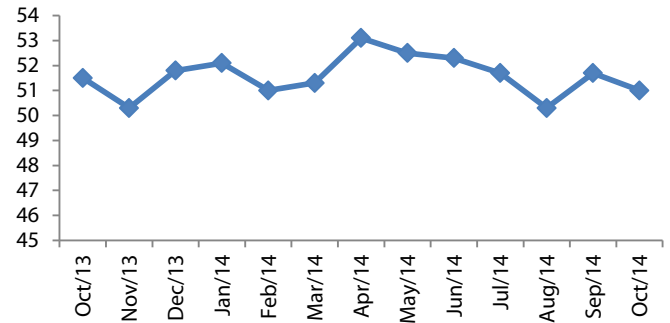
Sources: GSO. Rongviet Securities database

**Graph 3: Monthly CPI**



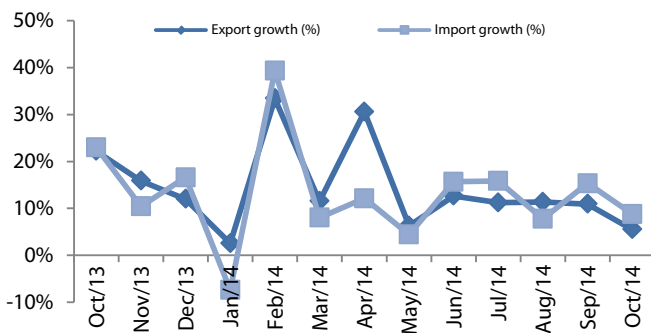
Sources: GSO. Rongviet Securities database

**Graph 4: HSBC - PMI**



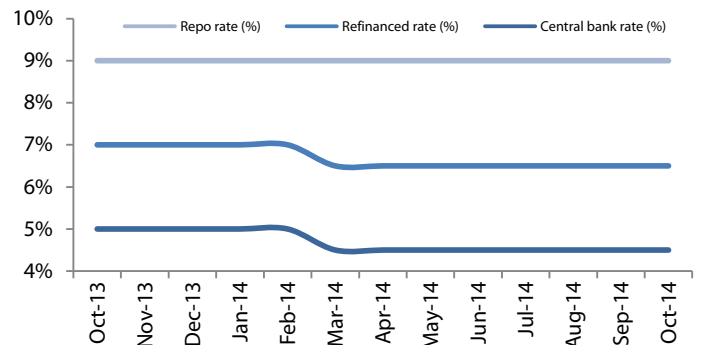
Sources: GSO. Rongviet Securities database

**Graph 5: Trade Growth**



Sources: GSO. Rongviet Securities database

**Graph 6: Interest**



Sources: SBV. Rongviet Securities database

## RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
NBB - A turning point with City Gate Towers	Nov 14 <sup>th</sup> , 2014	Buy - Long term	26,800
CMI-Project restarts spark new hopes	Nov 13 <sup>th</sup> , 2014	Monitor	
CNG - Potential growth from building materials industry's well-being	Nov 10 <sup>th</sup> , 2014	Accumulate – Long term	46,000
GMD - Positive developments from core businesses	Nov 7 <sup>th</sup> , 2014	Accumulate – Long term	44,400
BMP -Every cloud has a silver lining	Oct 30 <sup>th</sup> , 2014	Buy – Long term	87,700
SBA - Growth season ahead	Oct 24 <sup>th</sup> , 2014	Buy – Intermediate term	14,500

Please find more information at <http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx>

## FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	11/11/2014	0-0.75%	0-2.5%	11,815	11,868	-0.45%
VF1	14/11/2014	0.20% - 1.00%	0.50%-1.50%	22,966	22,989	-0.10%
VF4	12/11/2014	0.20% - 1.00%	0.00%-1.50%	10,357	10,338	0.18%
VFA	14/11/2014	0.20% - 1.00%	0.00%-1.50%	7,567	7,570	-0.03%
VFB	14/11/2014	0.30% - 0.60%	0.00%-1.00%	11,949	11,950	-0.01%
ENF	07/11/2014	0.00% - 3.00%		10,996	10,504	4.8%

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