

DECEMBER

24

WEDNESDAY

*“Low liquidity for Christmas Eve”*

**ADVISORY DIARY**

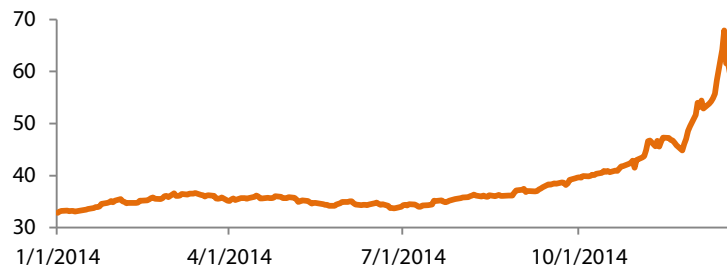
- **HPG – Unconcerned about Russian Steel ‘s risk**
- **Low liquidity for Christmas Eve**

**HPG – Unconcerned about Russian Steel ‘s risk**

The negotiation of the Free Trade Agreement (FTA) between Vietnam and the Russia Customs Union, Belarus and Kazakhstan (VCUFTA) has recently ended on the November 15<sup>th</sup>, 2014. While the benefits from the customs union as preferential tariffs and higher export opportunities have not been quantified, the investors from steel stocks are concerned about VCUFTA as well as the slump of the Ruble for firms within the industry. Therefore, our industry analyst had a short conversation with representatives of Hoa Phat Group Joint Stock Company (**HPG-HSX**) about the risks for the company.

Exhibit: Change in USD and ruble

**USDRUB BGN curncy**



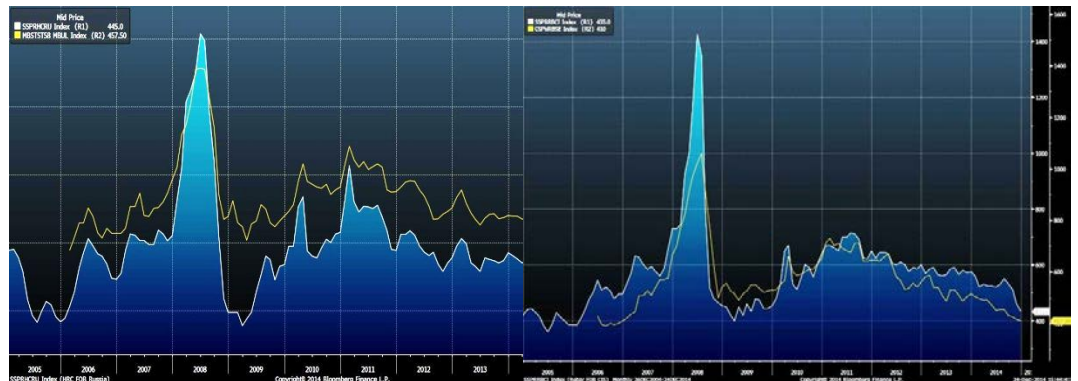
Source: Bloomberg

According to Reuters, the Ruble devaluation (-68% YTD) and the competition reduction from Ukraine are affecting positively to Russian steel industry. Thereby, it promotes exports and offsets the decline of domestic demand in the country. According to analysts, although the steel production technology in Russia is quite costly due to old machinery with technology from Soviet era (when compared to the modern plants in Asia and the Middle East) but the Ruble devaluation significantly improves the profitability of companies within the industry. Evraz, one of the largest steel producers in Russia, in the first half of 2014, has cut 12% costs and improved the EBITDA up to 15% over the same period. Thus, the company has recorded a profit of about \$ 1 million, which is the first time that the company has profit in the first half of the year since 2011.

In Vietnam, we supposed that the impact of slump of ruble to Hoa Phat, which is a largest steel producer in steel industry, is relatively small. Firstly, according to Russian Customs statistic of Foreign Trade, Vietnam’s steel imports remained relatively low in the first10M2014, with a total value of USD22 million, decreasing by 62% as compared to previous period. Secondly, a decrease in Russian steel price was likely similar to Chinese. At this time, Russian (hot rolled coils) HRC price is cheaper than Chinese’s while bar steel price higher than 5%. Moreover, the impact of currency change need more time to affect.

Exhibit: Change in Russian and Chinese HRC price

Exhibit: Change in Russian and Chinese bar steel price



Source: Bloomberg

Source: Bloomberg

(\*)Russian Steel price (yellow line), Chinese steel price (white line)

HPG made known that the slump of ruble and Vietnam – Customs Union of Russia, Belarus and Kazakhstan FTA would have two effects: (1)positive impact to pipeline steel because HRC is the main input to produce steel pipeline and HPG imports from Russia; (2)transportation cost from Russia to Vietnam remained ~USD50-60 per tons, higher and unprofitable for exporter; (3) import tax cut to the level of 0% expected to follow the schedule, and according to our analyst, Ministry of Finance proposed a 5 -10 year schedule. In general, the competition from Russian steel is unlikely seriously as our investors’ concerns. It seems to be another risk in comply with a competition between Domestic steel producers and Chinese producers.

For the latest information related to the business activities of the HPG, in November, the output of construction steel and steel pipes are strongly growth, increasing 42.6%, respectively, and 77% over the same period. In Q42014, the company completed the upgrade of blast furnace No. 1 and continues to promote the Phase 3 of the complex and real estate projects in Hoang Mai district. Notable factors are steel prices began to decline in the peak season of consumption, is only about 12.2 million per tons, down 4.3% from the previous quarter and down more than 6% compared with beginning of the year. However, with the output grows higher than expectations, we believe that the EAT in 2014 may be higher than 200 billion compared with the most recent update in August 2014, respectively with EPS of VND6,900 per share. At the closing price today, HPG is trading at a P/E is 7.5x, the relative attractiveness of blue-chip stocks. In the following year, because of a small portion of the profits from the Mandarin project and increased competition, we believe that the company's profits may be lower than this year. In the future, RongViet Research will release the Results Updated report after the release of 2014 business result and the 2015 plan.

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**Low liquidity for Christmas Eve**

As mentioned in Advisory Diary yesterday, the “relaxing” time for upcoming opportunities was also shown clearly in today’s session when matching value on both exchanges only reached at VND1,500 billion, fell approximately by 15% as compared to last session. Weaken capital flow partly made two indexes erratic, closing up slightly thanks to leading tickers. Most of Oil& Gas stocks rose while VN30 separated with the growth of PVD, DRC, and MSN... In contrast, BVH was prominent on decreasing group because of the changes on board of management.

In opposed to liquidity, we supposed that net-buying activities of foreigner proved it to be a positive factor to market’s sentiment. In first 3-month of December, foreign investors consecutively net-sold out with total value of VND 864 billion (~95% of total net-buying value last

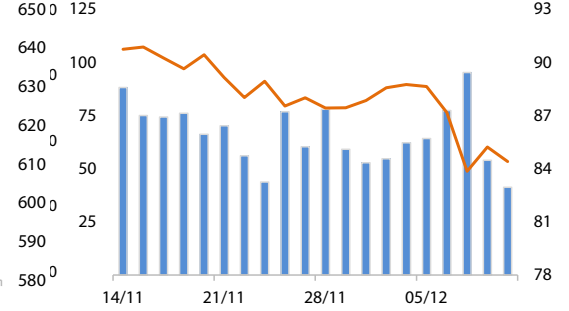
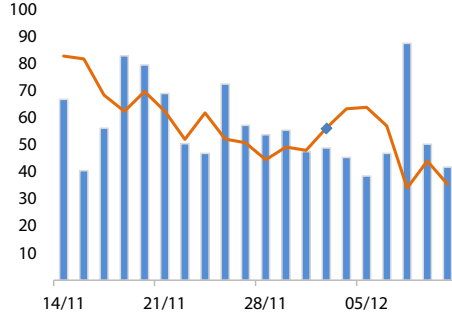
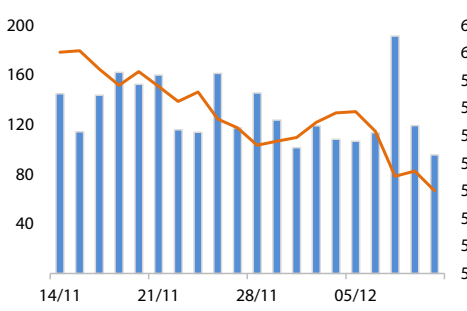
month). That would make many investors confuse about the withdrawal of foreigner on Vietnamese stock market. Thus, net-buying turnover of VND80.5 billion in today's session although not much, we expect foreigner will re-disburse soon because today was their third straightly net-bought.

Some positive macro-economic information came from domestic and overseas. In terms of international information, The United States economy advanced an annualized 5% in the third quarter of 2014, beating previous estimates and market expectations.

In Vietnam, GSO had just announced National CPI in December. Following that, this ratio decreased 0.24% as opposed last month and 2014 average CPI just rose 4.09% compared to that of 2013. Outside positive opinions of low CPI and confidence about decreasing policy interest rate next year, the speech of SBV Chairman at Banking commitment reminded us of low CPI unsurely going with low interest rate. In next year, in order to stabilize exchange rate and make sure a proper interest rate for businesses, SBV need to do a lot of things.

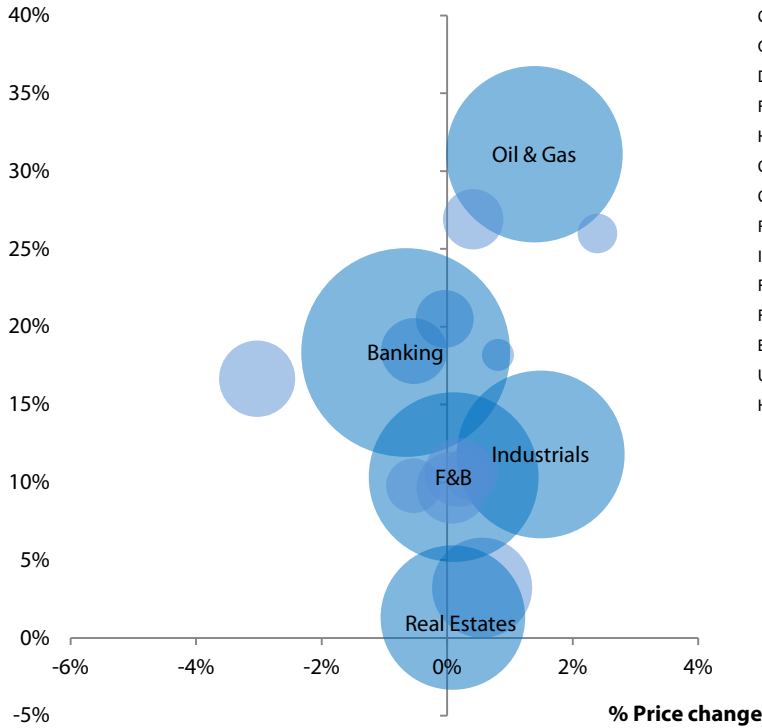
Along with the cold weather and preparing for the Christmas party, we say "Merry Christmas" to our investors, friends and customers. ☺

**VNINDEX** 0.29% **539.44** **VN30** 0.27% **591.19** **HNXINDEX** 0.49% **82.82**



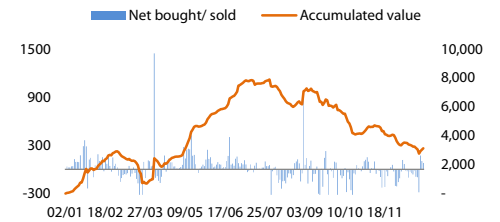
**Industry Movement**

**Industry ROE**

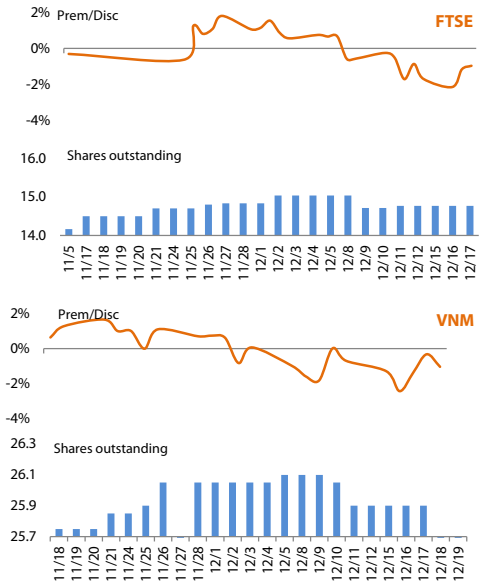


| Industry        | % change |
|-----------------|----------|
| Technologies    | 0.0%     |
| Industrials     | 1.5%     |
| Constructions   | 0.6%     |
| Oil & Gas       | 1.4%     |
| Distribution    | 0.8%     |
| F&B             | 0.1%     |
| Household Goods | -0.5%    |
| Cars & Parts    | 2.4%     |
| Chemicals       | -0.5%    |
| Resources       | 0.4%     |
| Insurances      | -3.0%    |
| Real Estates    | 0.1%     |
| Financials      | 0.1%     |
| Banking         | -0.7%    |
| Utilities       | 0.2%     |
| Healthcare      | 0.4%     |

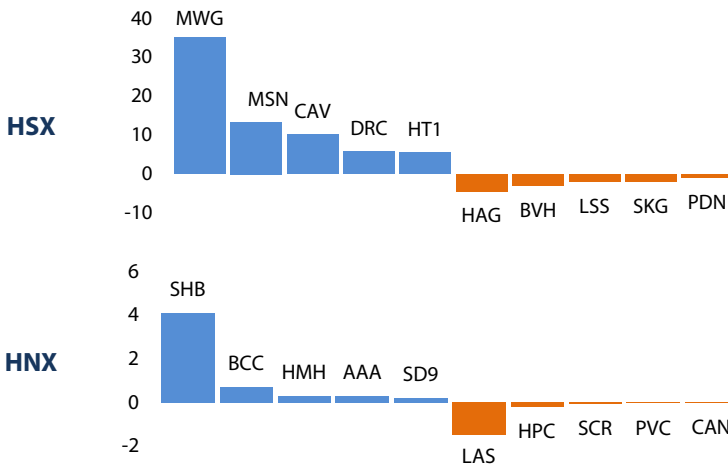
**Foreign Investors Trading**



**ETF**



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



**Top Active**

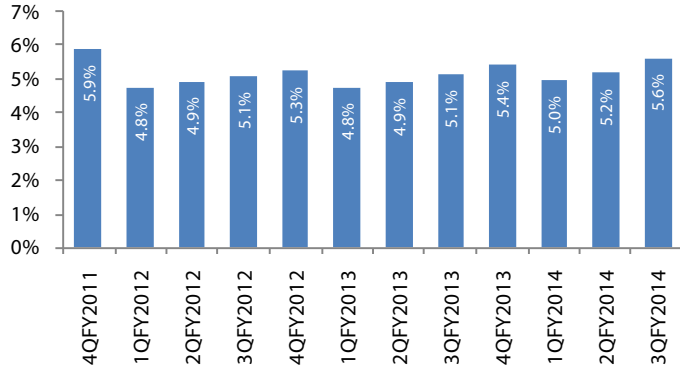
| Ticker | Price | Volume | % price change |
|--------|-------|--------|----------------|
| FLC    | 10.1  | 4.00   | -1.0%          |
| OGC    | 7.3   | 3.57   | 1.4%           |
| ITA    | 7.7   | 2.95   | 0.0%           |
| KBC    | 14.8  | 2.95   | -2.0%          |
| STB    | 17.5  | 2.67   | 0.0%           |

| Ticker | Price | Volume | % price change |
|--------|-------|--------|----------------|
| KLF    | 10.8  | 9.98   | -2.7%          |
| SHB    | 8.4   | 2.58   | 1.2%           |
| FIT    | 24.8  | 2.57   | 3.3%           |
| SCR    | 9.5   | 2.55   | 2.2%           |
| BAM    | 6.0   | 2.50   | 9.1%           |

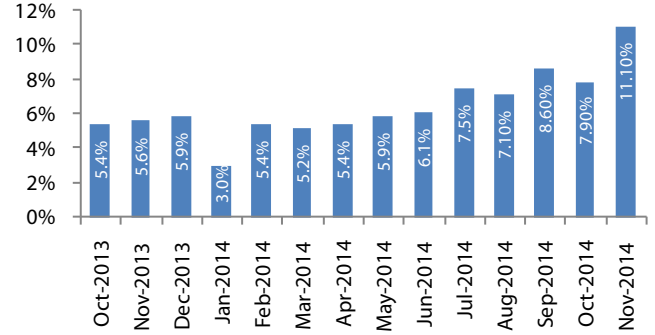
**MACRO WATCH**

**Graph 1: GDP Growth**



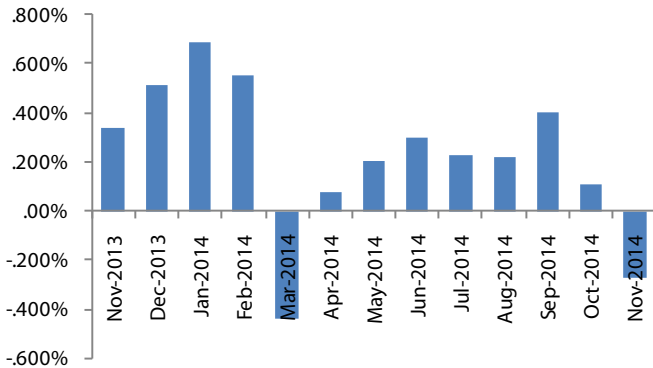
Sources: GSO. Rongviet Securities database  
(\* Comparison price in 1994)

**Graph 2: IIP**



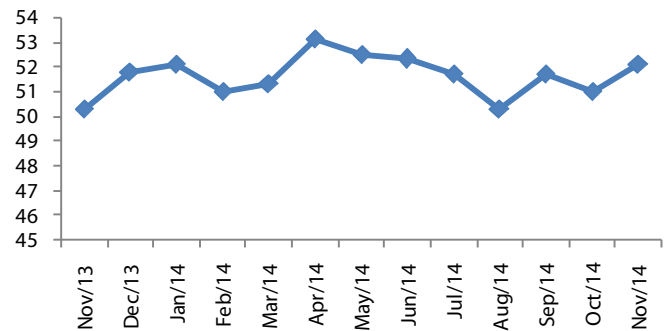
Sources: GSO. Rongviet Securities database

**Graph 3: Monthly CPI**



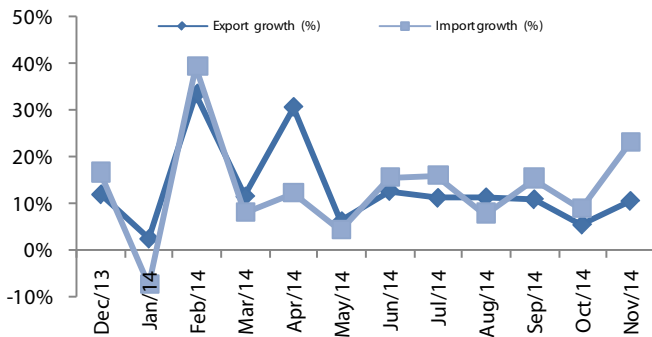
Sources: GSO. Rongviet Securities database

**Graph 4: HSBC - PMI**



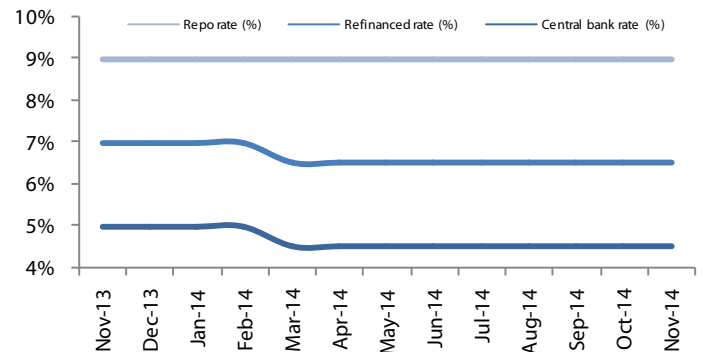
Sources: GSO. Rongviet Securities database

**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 |
|---|-----------------------------|------------------------|--------------|
| VNM - 2014 - At the pit stop              | Dec 19 <sup>th</sup> , 2014 | Accumulate – Long term | 110,000      |
| PCT – Restructuring                       | Dec 11 <sup>th</sup> , 2014 | Monitor                |              |
| FPT - Growth driver expected from retails | Dec 3 <sup>rd</sup> , 2014  | Accumulate – Long term | 61,000       |
| GDT - Still being on upward trend         | Nov 27 <sup>th</sup> , 2014 | Accumulate – Long term | 41,300       |
| PGS - 2015: A year of challenge           | Nov 24 <sup>th</sup> , 2014 | Neutral - Long term    | 37,800       |

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       | 16/12/2014  | 0%-0.75%                              | 0%-2.5%                             | 11,522                         | 11,378                           | 1.27%         |
| VEOF      | 16/12/2014  | 0%-0.75%                              | 0%-2.5%                             | 9,775                          | 9,800                            | -0.26%        |
| VF1       | 19/12/2014  | 0.2% - 1%                             | 0.5%-1.5%                           | 20,134                         | 19,727                           | 2.06%         |
| VF4       | 17/12/2014  | 0.2% - 1%                             | 0%-1.5%                             | 8,875                          | 9,102                            | -2.50%        |
| VFA       | 19/12/2014  | 0.2% - 1%                             | 0%-1.5%                             | 7,277                          | 7,373                            | -1.30%        |
| VFB       | 19/12/2014  | 0.3% - 0.6%                           | 0%-1%                               | 11,849                         | 11,841                           | 0.06 %        |
| ENF       | 12/12/2014  | 0% - 3%                               | 0%                                  | 10,651                         | 10,889                           | -2.19%        |
| MBVF      | 11/12/2014  | 1%                                    | 0%-1%                               | 11,083                         | 11,135                           | -0.47%        |
| MBBF      | 10/12/2014  | 0%-0.5%                               | 0%-1%                               | 11,766                         | 11,768                           | -0.02%        |

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