

DECEMBER

26

FRIDAY

*“2014 year end:
A reversal of
history”*

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ADVISORY DIARY

- **DPM – Tail wind from crude oil**
- **2014 year end: A reversal of history**

DPM – Tail wind from crude oil

Today Dec 26th 2014, Rongviet Research has published result update report on DPM – HSX. DPM is a leading urea producer in Vietnam. Changing in policies in early 2014 raised some difficulties to DPM’s business activities. However, thanks to the stability of domestic urea supply and the recent decline of oil price, 4Q2014 earnings may again turn positive.

Into 2015, we realize that DPM is facing more than one obstacle. First, with oversupply unlikely to improve, competition may become more of serious problem, especially with the increasing more threatening presence of DCM. Second, though there are some lags and little correlation between urea and crude oil price, it is a risk that the former will soon follow the latter on the down side. Third, from 2015, DPM will no longer be subject to preferential corporate income tax rate. Lastly, a rise in transport and distribution cost is just around the corner. However, the adjustment of the input price formula comes to turn the table for the nation’s largest fertilizer manufacturer; the improvement of gross profit and the likely reduction of associate losses are two reasons that underlie DPM’s positive outlook next year. In addition, high dividend yield continues to be an attractive point of DPM. Moreover, high and stable dividend policy should keep DPM appealing in the eyes of income-seeking investors.

In our base-case scenario, we estimate the revenue and NPAT for DPM in 2015 at about VND8, 958 billion and VND1, 440 billion respectively and basic EPS of VND3, 790. Using the P/E method, we estimate the reasonable price for DPM at VND 36,100/share, 21% higher than the closing price on December 26, 2014 and rate the stock as BUY in the INTERMEDIATE TERM.

2014 year end: A reversal of history

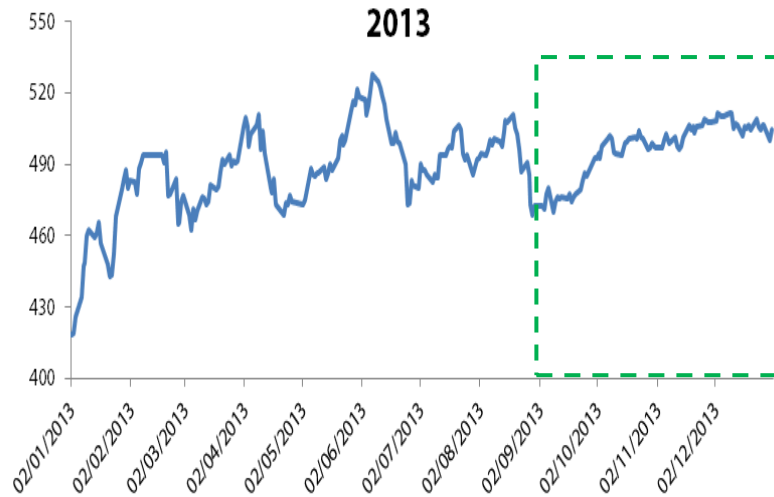
From 22/12 to 26/12, market witnessed separation of two indexes. While VNIndex recovered depended on the increase of GAS and PVD, speculative stocks partly made HNIIndex down. At week-ending session, VNIndex and HNIIndex reached at 533.4 points (+2%) and 81.14 points respectively (-0.2%) from last week. Liquidity went down this week, the average matching-volume on HSX stood at 71.3 shares/session and 41.9 shares/session on HNX, stumbled 50% and 27% respectively as against the average of last week.

As opposed to investor’s anxiety, foreigners went back to net bought this week. In particular, on HSX, they net bought by VND 504.8 billion, along with VND 35.8 billion on HNX. Top of strong net-buying listed GAS, PVD, DPM, MWG; whereas HAG was on top of net-sold.

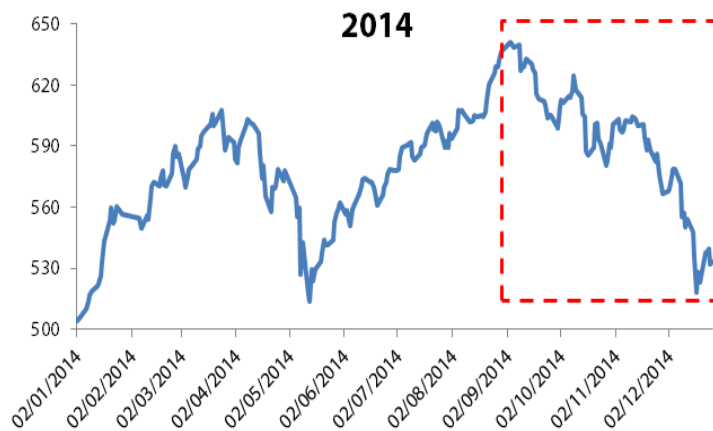
Perhaps many investors have been disappointed and worried in the last quarter of 2014 when the market index and liquidity decreased sharply compared to the average of the previous quarter. According to our observation, market trends in quarter 4/2014 also opposed to the 4th quarter of the previous year such as the 4th quarter of 2013. Accordingly, if the index rose slightly by 2% and created more excitement for investors in Q4/2014, the index of the 4th quarter of this year (as of 26/12) has been down 11% and created many doubts about the upcoming trend indicators. Liquidity also showed the opposite trend: while the average transaction in the Q4/2013 was higher than the average of the year about 32%, the level of average transactions of Q4/2014 is only approximate to a whole year.

Chart 01. VNIndex movement and events affected the movements

Bloomberg: VDSC <Go>



- Deposit interest rate goes down, return of USD and gold investment is low while real estate market is shadow. In that circumstance, stock investment becomes more attractive.
- Expectation of macro economy was at lowest level, had suggested a recovery in the next year.
- Expectation that foreigner's owner proportion will be



- Macro economy is brighter. But this catalyst was reflected as an uptrend in the earlier of this year.
- TPP agreement and the promise of widening foreigner's owner rate have not been implemented.
- New event of oil price and USD strengthen result some afraid (1) FPI draw out and (2) SBV's ability to control foreign exchange rate in 2015.
- Circular 36 issued by SBV: will credit for stock market be reduced?

Source: Rongviet Securities database

The last days of 2014 are approaching and it is unlikely that there will be an unexpected positive – factor to “wake the market up”. As our previous opinions, RongViet Research hopes that investors, which are disbursed the "bottom fishing" in 17/12 session, prepared for the recovery of U shape or W shape from the market psychologically.

VN-Index

After two weeks of going down, VN-Index turned up and climbed 10, 28 points (or 1, 97%), closed at 533, 37. Trading volume fell to low level with only 356 million shares changed hands.

VN-Index kept recovering from its strong support area (at around 510-515), but the recovery was weak and VN-Index is still below its resistance (at around 545). VN-Index may approach the 510-515 area to retest this strong support.

In an intermediate-term, VN-Index is still moving in a down channel. The ADX indicator shows that this downtrend remains strong.

Looking at technical indicators, the MACD is going to cut above the signal line, the RSI recovered slightly but both of them are in downtrend.

VN-Index is now moving right above its strong support. Traders may accumulate stocks patiently at low prices for long-term purposes. In a short-time, risks are still exists and short-term traders may keep stay out of the market.



HNX-Index

HNX-Index lost 0, 18 points (or 0, 22%), closed at 81, 14. Trading volume reduced strongly from 285 down to 210 million shares.

The recovery from 80 areas stopped at 83 and HNX-Index is on the way to test the 80 threshold again.

Similar to VN-Index, HNX-Index is now moving right above its strong support but it seems early to talk about the trend reversal. We need to see more positive signals next week.

Looking at technical indicators, both the MACD and the RSI still look bearish. The ADX indicator keep rising, implies that the downtrend has not weakened yet.



Recommendation:

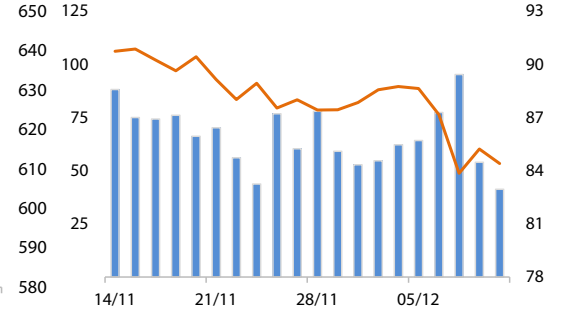
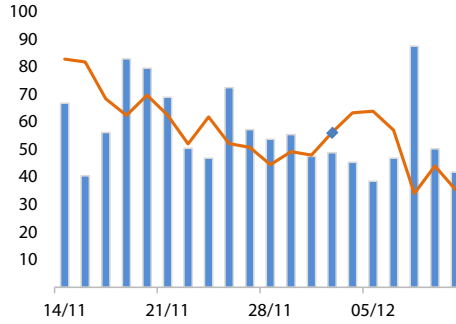
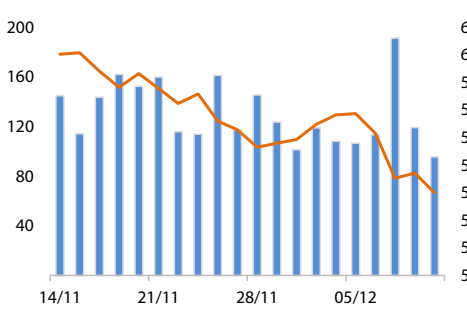
The recovery of the two indexes was weak on low volumes and the indexes are now on the way to retest their strong supports. Short-term traders temporary stay out and observe the markets while the long-term traders may accumulate stocks at low price for long-term goals.

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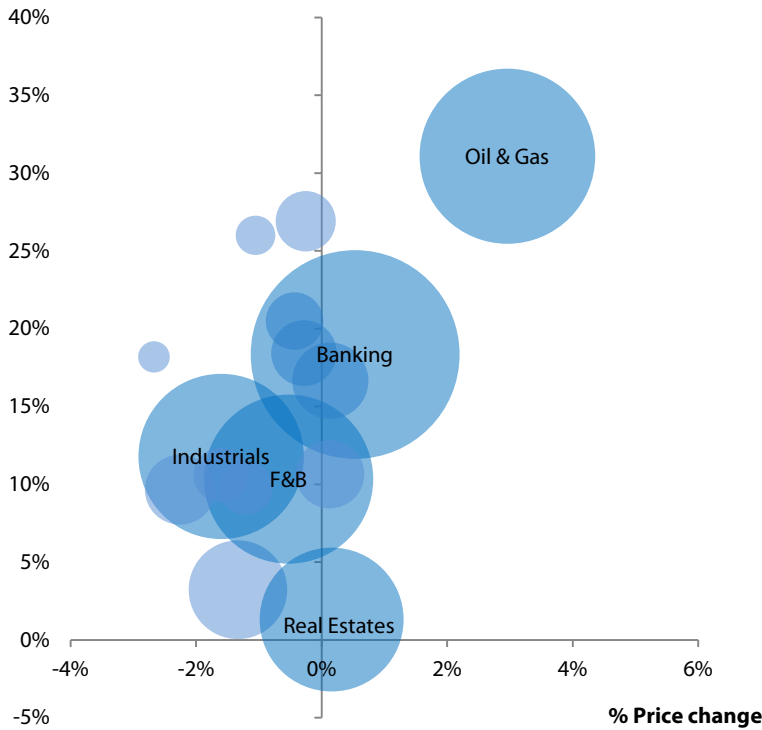
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VNINDEX 0.26% **533.37** **VN30** -0.47% **582.45** **HNXINDEX** -1.11% **81.14**



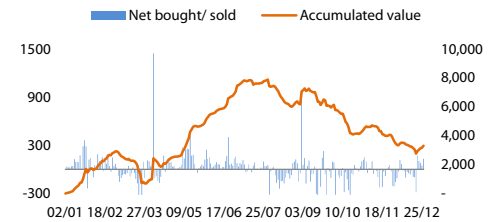
Industry Movement

Industry ROE

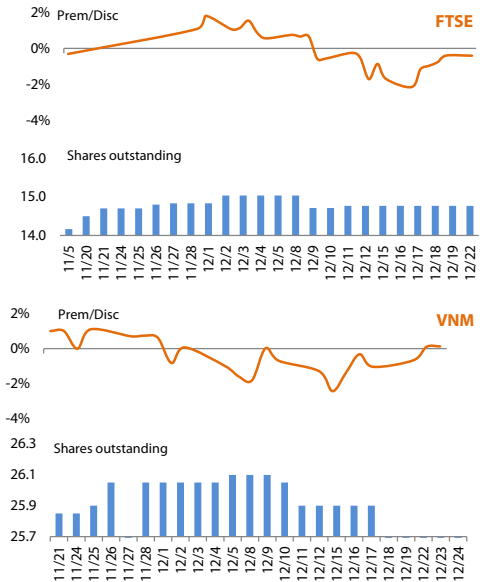


Industry	% change
Technologies	-0.4%
Industrials	-1.6%
Constructions	-1.3%
Oil & Gas	3.0%
Distribution	-2.7%
F&B	-0.5%
Household Goods	-1.2%
Cars & Parts	-1.1%
Chemicals	-0.3%
Resources	-0.3%
Insurances	0.1%
Real Estates	0.2%
Financials	-2.3%
Banking	0.5%
Utilities	0.1%
Healthcare	-1.6%

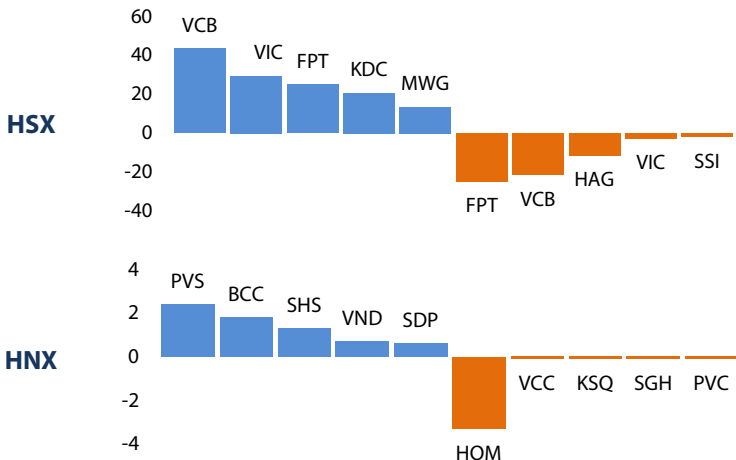
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



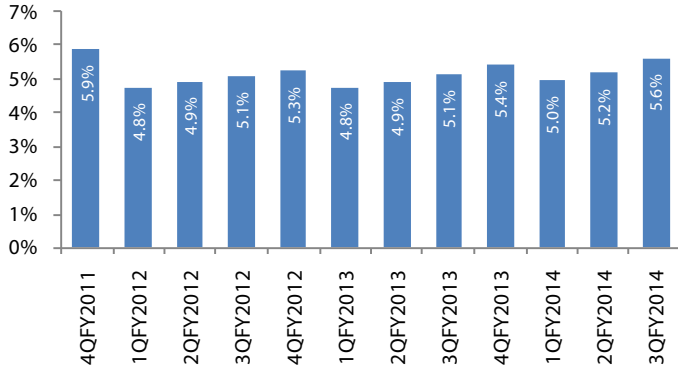
Top Active

Ticker	Price	Volume	% price change
FLC	9.5	7.32	-4.0%
OGC	6.6	4.87	-5.7%
ITA	7.4	4.86	-2.6%
SSI	25.8	4.14	-2.3%
HAG	20.5	4.10	-2.4%

Ticker	Price	Volume	% price change
PVX	4.1	11.30	-8.9%
KLF	9.8	9.41	-6.7%
SCR	8.3	3.42	-4.6%
PVS	26.3	1.94	0.8%
FIT	23.0	1.86	-5.7%

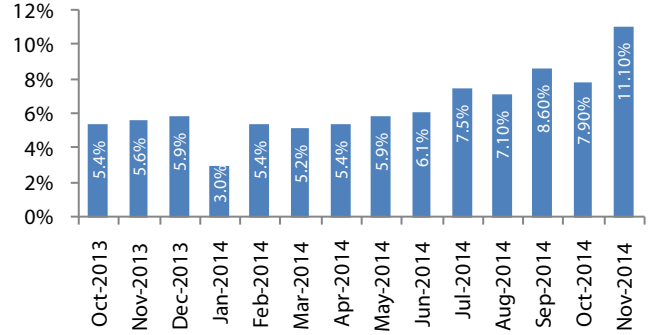
MACRO WATCH

Graph 1: GDP Growth



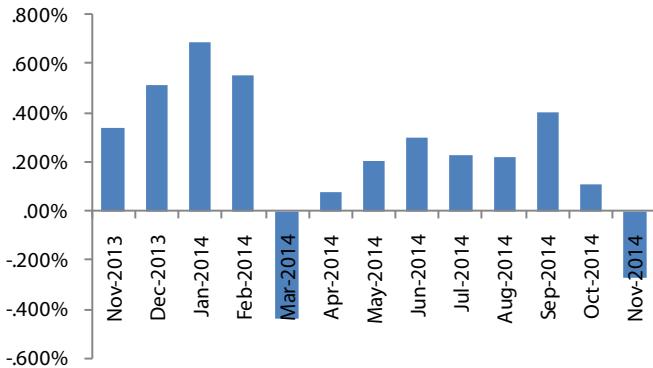
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



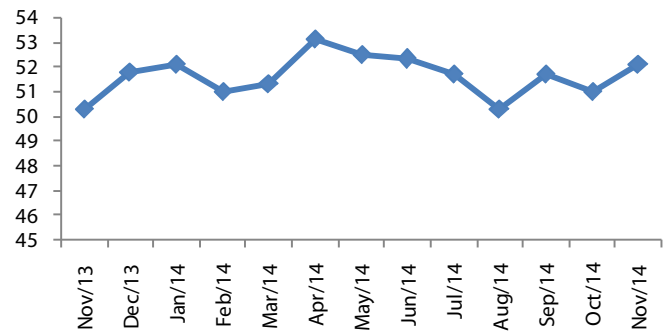
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



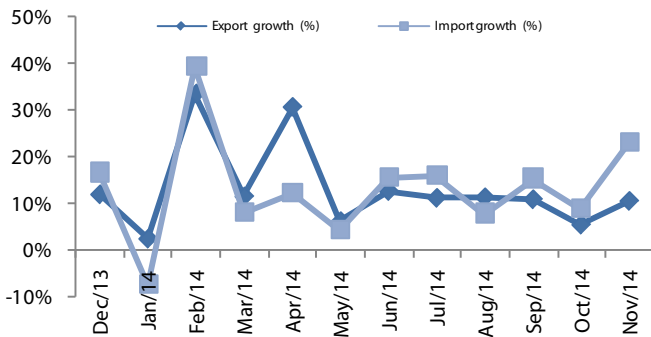
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



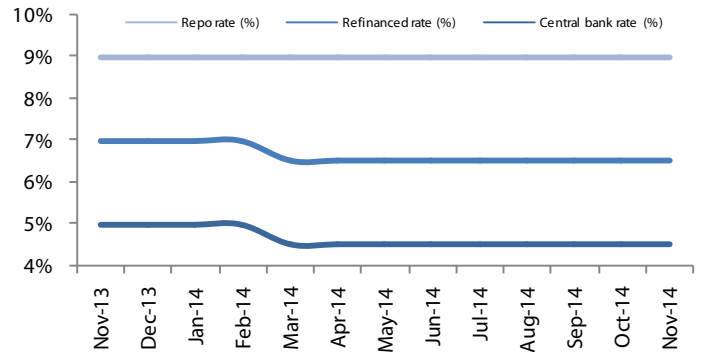
Sources: GSO. Rongviet Securities database

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 th , 2014	Accumulate – Long term	110,000
PCT – Restructuring	Dec 11 th , 2014	Monitor	
FPT - Growth driver expected from retails	Dec 3 rd , 2014	Accumulate – Long term	61,000
GDT - Still being on upward trend	Nov 27 th , 2014	Accumulate – Long term	41,300
PGS - 2015: A year of challenge	Nov 24 th , 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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