

OCTOBER

24

FRIDAY

“Eighth-time gasoline price cut failed to lift market sentiment”

ADVISORY DIARY

- **SBA – A growth season ahead**
- **October’s manufacturing bounced; inflation stalled**
- **Eighth-time gasoline price cut failed to lift market sentiment**

SBA – A growth season ahead

RongViet Research published today a Brief Update on Song Ba Hydropower SJC (SBA - HSX). For 3Q2014, SBA posted encouraging business results with revenue up 20% and NPAT 16% from a year earlier, largely supported by a 30-percent increase in sale volume to 52 million Kwh and a 3-percent improvement in the average power sale price as compared to 3Q2013. Further, the Company received a post-investment interest payment support of VND5 billion from the Vietnam Development Bank (VDB).

The cyclical nature of the hydropower sector dictates that most of a power plant’s volume will fall in Q4. RongViet Research expects SBA’s sale output in Q4 this year to reach about 111 million Kwh, underpinning a two-fold monthly increase in both sales revenue and NPAT. However, as compared to a year earlier, Q4 earnings may experience slightly decrease as SBA’s Krong H’Nang Power Plant will be subject to a 50-percent tax cut whereas last year, the plant was still exempt from income tax.

In the long term, SBA’s growth outlook can be found on the basis of both output and price growth. At the current economic growth of Vietnam, there is chance the country will experience a electricity thirst only in a couple more years. According the Power Market Planning VII, the power output of Vietnam may increase up to 11.5% a year between 2015 and 2012. As an advantage, SBA is already operating its largest plant, i.e. Krong H’Nang (64MW), by the competitive power-generating market mechanism.

Our biggest concern for SBA, however, is the fact that the Company still faces difficult finding a sufficient and reasonably-priced source of funding for its upcoming projects, Krong H’Nang Phase 2 and Song Tranh Phase 1, whose combined investment is estimated at VND960 billion.

By those arguments, we rate the stock of SBA as **BUY** in the **INTERMEDIATE TERM** at a target price of **VND14.500/share**.

October’s manufacturing bounced; inflation stalled

By the GSO’s latest statistics, the Index of Industrial Production (IIP) added 0.46% from the previous month in October with the fast paces of manufacturing expansion going to motor vehicles (11.5%), electronic products (22.5%), furniture (13.3%) metals (10.2%) and coal (20.9%)

Meanwhile, inventory level of the manufacturing sector increased only 2.4% over the one-month period in September. Paper and paper products, woven fabrics, electronic devices and aquacultural products all experience moderate to high month-over-month increase in the inventory level last month.

Similarly, the consumption index rose just 0.8% as compared to August. We realize that most good categories experienced only modest consumption growth whereas some groups such as food, beverages and textile even recorded a decline in consumption as compared to the prior month.

Along with manufacturing consumption, October’s CPI, with a rise of just 0.11% as compared to September or 3.23% over the same period last year, continued to paint a blurry stroke on the

picture of stalled aggregate demand. The lowest monthly CPI increase since May also neared our forecast in RongViet Research Advisory Diary dated 10/22/2014. In particular, with two consecutive cuts of gasoline prices, transportation has the sharpest decrease of in the price level or 1.02% from September. For the ten months ended October, CPI growth reached only 3.24%, the lowest increase in the last 11 years. With feeble consumption improvement and flat inflation in October, the improvement of aggregate demand and domestic purchasing power remain of great concern.

Eighth-time gasoline price cut failed to lift market sentiment

There were hopes that the eighth gasoline price cut (minimum VND550/liter) in the last 3 months would lift investors' spirits today. In fact, market sentiment was seen to improve slightly from the last trading day. However, buyers still retained extreme cautiousness even though selling pressure was nothing but substantial. Where investors were not too eager to the raise their bids, demand for bottom-fishing was only noticeable when VNIndex suddenly tumbled to 590 and HNXIndex to 86.6. Even such stocks with much market attention as NBB, TCM, HVG and VIC could not end too far above the reference prices.

According an official announcement posted just an hour or two after the market had closed, the State Bank has suspended Oceanbank Chairman of Ha Van Tham and assigned a replacement for Tham's position, stating that the change will not affect the bank's ongoing business.

Anyways, selling/buying at rumors and acting conversely is a practice characterizing the stock market of Vietnam. In fact, the stock of OGC seemed to have found shelter "the storm" as selling pressure dropped significantly from yesterday while demand escalated as the market progressed. OGC ended the day down only VND300/share with trading volume only one third that of yesterday.

In general, the most negative about today's trading is a stark decline in liquidity on both exchanges where trading volume dropped 39% in the HSX and 6% in the HNX. Foreign trading remained stalled as foreign investors bought only a net VND7 billion in the HSX and selling a net VND7 billion in the northern exchange.

Given those signal, the present stock market may still be too unstable for near-term trading, especially when the media has a whole weekend ahead to dissect incidents at Oceanbank. On the other, now that many stocks have returned to much attractive price levels, we see that the window for intermediate and long-term investors has only just opened.

Tai Nguyen

+ 84 8 6299 2006 | Ext: 315

tai.ntp@vdsc.com.vn

WEEKLY TECHNICAL VIEW

VN-Index

VN-Index recovered slightly, added 6.23 points (or 1.06%), closed at 591,51. Trading volume reduced to 488 million shares (-19.07%).

VN-Index turned up when it touched the 200-day moving average at 580 on low volumes and could not break above 100-day moving average (at around 600). At this moment, VN-Index is traded right a below the 100-day, 50-day and 26-day moving averages. These lines play role as resistances of the index. Traders should watch for a break above these lines or a move down to retest the 580 threshold.

On weekly chart, a candlestick with short body and long upper shadow appeared, indicating that the selling force was strong.

Looking at technical indicators, both the MACD and the RSI remain bearish.

In a short-term the support and resistance of VN-Index is 580 and 605.



HNX-Index

HNX-Index decreased 0.59 points (or 0.67%), closed at 87,05. Trading volume reduced 21.87% with 268 million shares changed hands.

HNX-Index did not seem to change during the week when it moved in a narrow range between the 50-day moving average (87) and the EMA(26). In a intermediate-term, HNX-Index's trading range is [86-91.5]. The liquidity was rather low, showing investor's hesitations.

Looking at technical indicators, the MACD and the RSI remain bearish.

After a long uptrend, HNX-Index is now moving in a trading range. Traders may buy at supports and sell at resistances.



Recommendation:

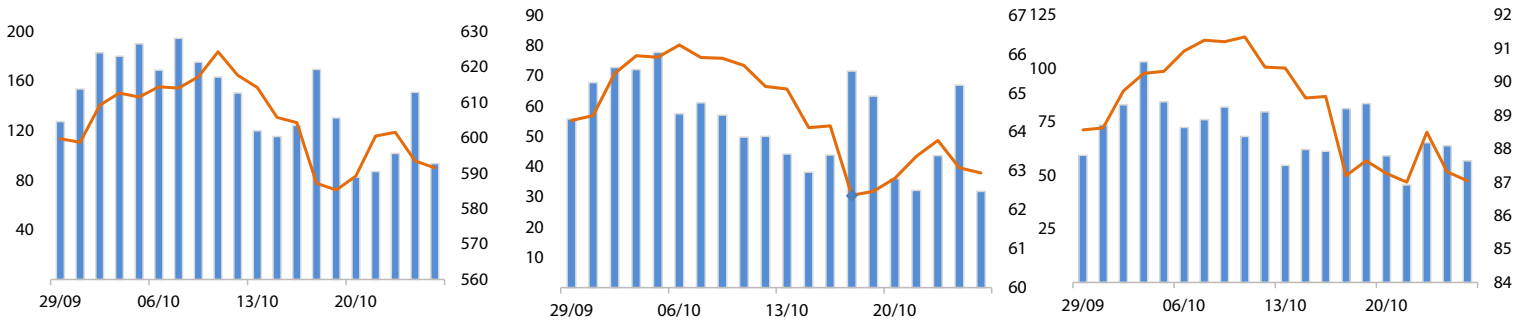
Last week some good signals appeared at strong supports but there were no confirmations this week. Short-term investors should wait patiently while long-term investors continue to hold stocks for long-term targets.

Khai Tran

+84 8 6299 2006 | Ext: 208

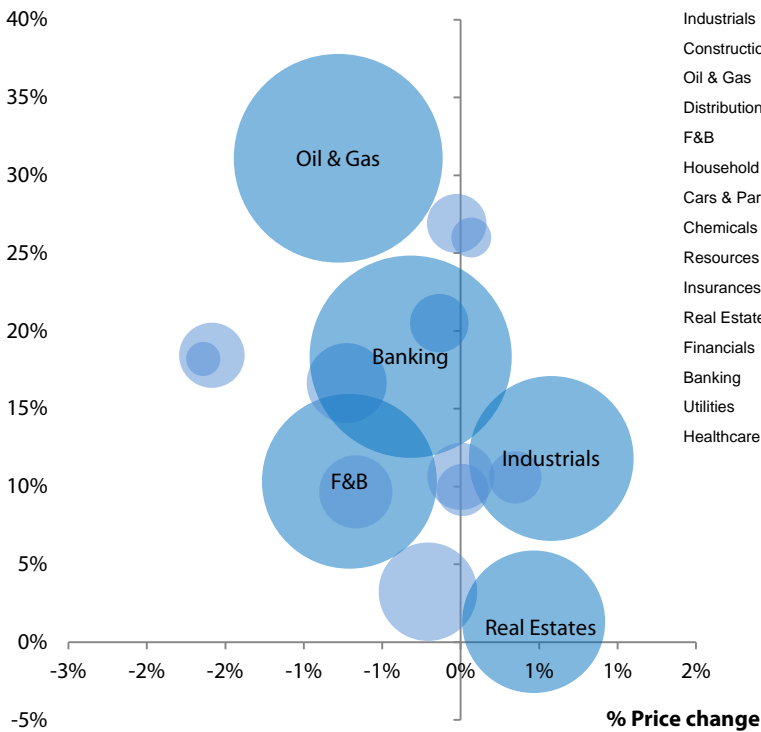
khai.tq@vdsc.com.vn

VNINDEX -0.34% 591.51 VN30 -0.21% 629.52 HNXINDEX -0.30% 87.05



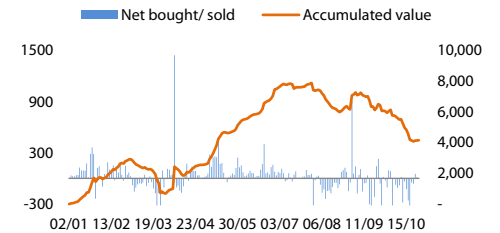
Industry Movement

Industry ROE

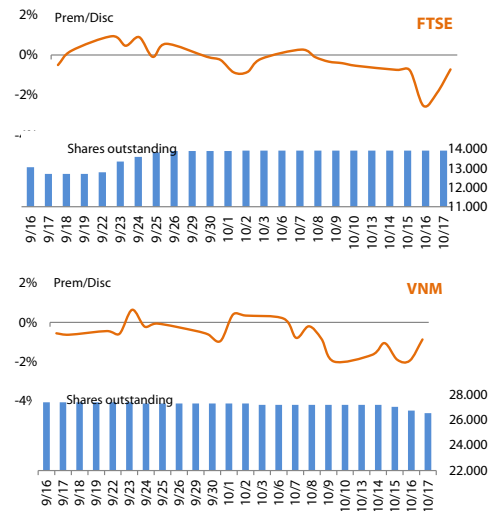


Industry	% change
Technologies	-0.1%
Industrials	0.6%
Constructions	-0.2%
Oil & Gas	-0.8%
Distribution	-1.6%
F&B	-0.7%
Household Goods	0.0%
Cars & Parts	0.1%
Chemicals	-1.6%
Resources	0.0%
Insurances	-0.7%
Real Estates	0.5%
Financials	-0.7%
Banking	-0.3%
Utilities	0.0%
Healthcare	0.3%

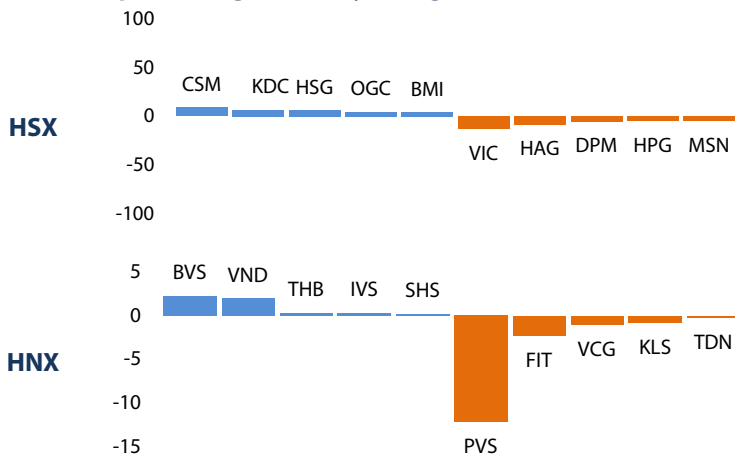
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



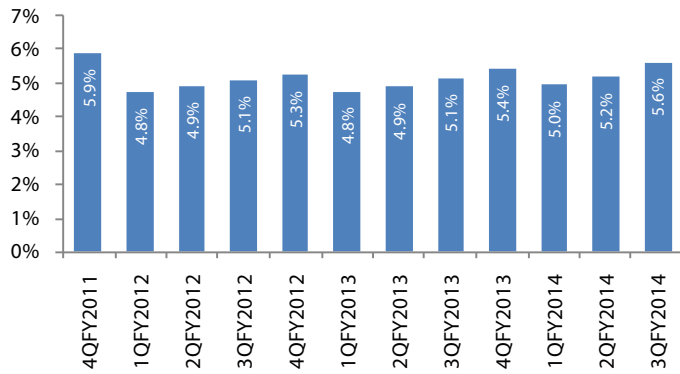
Top Active

Ticker	Price	Volume	% price change
VHG	15.7	10.34	-2.5%
OGC	10.9	7.50	-2.7%
FLC	11.0	5.67	-3.5%
KBC	15.7	4.93	-0.6%
ITA	8.5	3.24	0.0%

Ticker	Price	Volume	% price change
KLF	11.60	17.42	-1.7%
FIT	26.70	4.45	1.1%
PVX	5.80	4.20	-1.7%
SCR	9.80	2.75	-1.0%
SHS	11.30	2.32	-2.6%

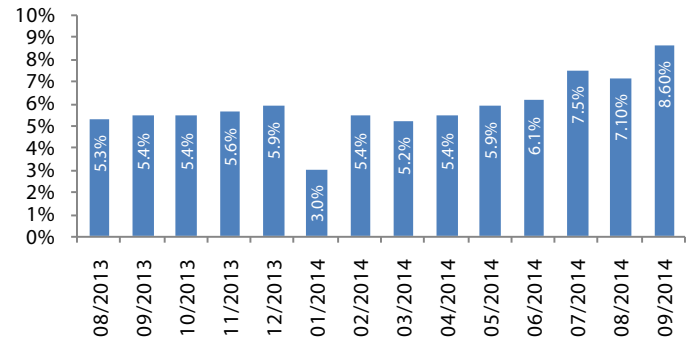
MACRO WATCH

Graph 1: GDP Growth



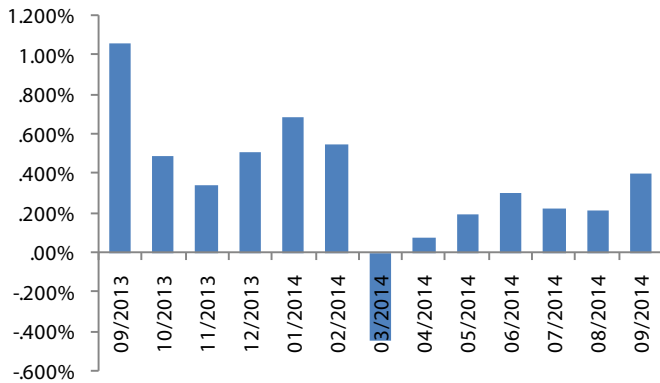
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



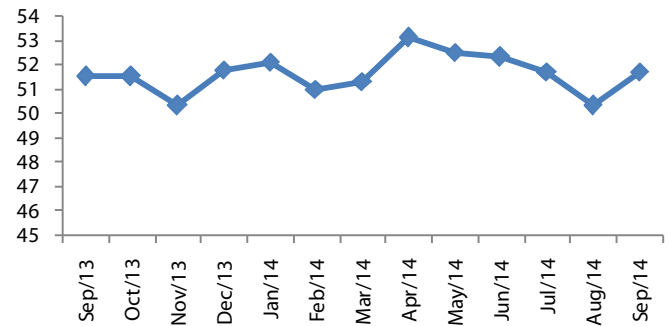
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



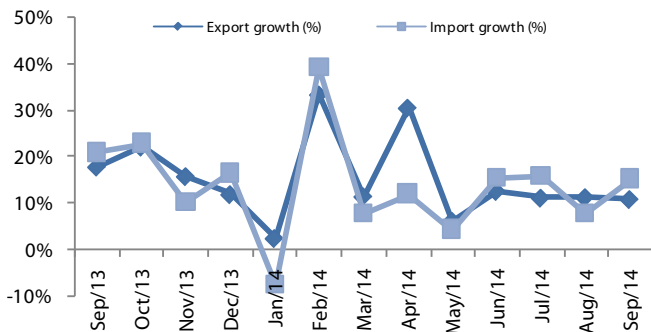
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



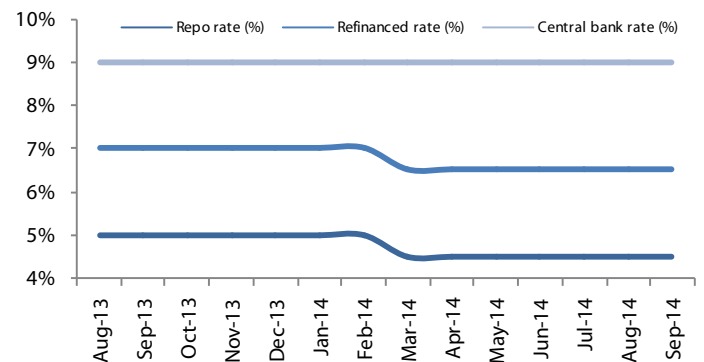
Sources: GSO. Rongviet Securities database

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
TCM - Moving up the value chain	Oct 14 th , 2014	Accumulate – Long term	42,500
DHC - Restructuring yielded juicy fruits	Sep 29 th , 2014	Buy – Intermediate term	25,200
DCL – Chances as bad debts to be solved	Sep 22 th , 2014	Neutral – Long term	37,000
PVD – Busy O&G exploitation brought warmth	Sep 17 th , 2014	Accumulate – Long term	122,00
REE - Solid ground s for sustainable growth	Sept 9 th , 2014	Neutral - Long term	29,700

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	14/10/2014	0-0.75%	0-2.5%	11,859	11,886	-0.23%
VF1	17/10/2014	0.20% - 1.00%	0.50%-1.50%	22,346	23,083	-3.19%
VF4	15/10/2014	0.20% - 1.00%	0.00%-1.50%	10,475	10,744	-2.5%
VFA	17/10/2014	0.20% - 1.00%	0.00%-1.50%	7,509	7,787	-3.57%
VFB	17/10/2014	0.30% - 0.60%	0.00%-1.00%	11,943	11,983	-0.33%
ENF	10/10/2014	0.00% - 3.00%		11,149	11,094	0.5%

ANALYSTS

Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 314

truc.dtt@vdsc.com.vn

Ngoc Chung

+ 84 8 6299 2006 | Ext: 318

ngoc.cb@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 318

lam.ntp@vdsc.com.vn

Ha My Tran

+ 84 8 6299 2006 | Ext: 348

my.tth@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 315

tai.ntp@vdsc.com.vn

Diem My Tran

+ 84 8 6299 2006 | Ext: 344

my.ttd@vdsc.com.vn

Trien Le

+ 84 8 6299 2006 | Ext: 339

trien.lh@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 348

tam.bt@vdsc.com.vn

Huong Pham

+ 84 8 6299 2006 | Ext: 317

huong.pt@vdsc.com.vn

HỘI SỞ TẠI TP.HCM

Tầng 1-2-3-4, tòa nhà Viet Dragon
141 Nguyễn Du, P.Bến Thành, Q.1, TP.HCM

- T +84 8 6299 2006
- F +84 8 6291 7986
- E info@vdsc.com.vn
- W www.vdsc.com.vn

CHI NHÁNH HÀ NỘI

2C Thái Phiên, Q.Hai Bà Trưng, Hà Nội

- T +84 4 6288 2006
- F +84 4 6288 2008
- E info@vdsc.com.vn
- W www.vdsc.com.vn

CHI NHÁNH NHA TRANG

50 Bis Yersin, TP.Nha Trang, Khánh Hòa

- T +84 058 3820 006
- F +84 058 3820 008
- E info@vdsc.com.vn
- W www.vdsc.com.vn

CHI NHÁNH CẦN THƠ

08 Phan Đình Phùng, Q.Ninh Kiều, TP.Cần Thơ

- T +84 0710 381 7578
- F +84 0710 381 7789
- E info@vdsc.com.vn
- W www.vdsc.com.vn



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