

JANUARY

15

THURSDAY

“Whether real estate would attract the attention after oil & gas, banking stocks???”

ADVISORY DIARY

- **Whether real estate would attract the attention after oil & gas, banking stocks???**

Whether real estate would attract the attention after oil & gas, banking stocks???

As mentioned in our Advisory Diary recently, the banking tickers has been the most talked-about topic in the first waves of the market since stepping to 2015. Regarding this issue, RongViet banking analyst believes that 2015 would see a boom in M&A activities for commercial banks with the latest rumor being the possible merger between Vietcombank and SaiGonBank. Besides, the progress of cleaning bad debt at commercial banks has reason to speed up from the warming real estate market. Given that organic relationship, a new question raised is whether or not real estate sector would succeed banking sector to be the second wave of the share market this year? After discussing with analyst in-charge, factors such as increasing investment in public infrastructure, easing lending environment and other preferential policies from the Government would become a springboard for the real-estate market in 2015.

In details, after SBV’s Circular 32 on extending borrowing candidates promulgated and lowering lending rate for the VND30,000 billion credit package to 5 %, we expect to witness an increase in demand for the below-average housing segment (VND12-15 million/m2) . Despite having the humble profit margin (commonly 10-15 %), we believe that there will be more property developers joining this particular segment due to higher demand. Although the completion timing of these projects fall in 2016-2017 period, however thanks to increasing demand, these projects are able to generate stable cash flow for property developers until revenue and profit are eligible to be recorded

In contrast, high-end residential segment remains large mismatch between supply and demand. HCMC and Hanoi large infrastructure projects such as Thu Thiem new urban areas, Suoi Tien Metro Line 1 - Ben Thanh, urban railway Cat Linh - Ha Dong Nhat Tan Bridge will continue to promote the new projects in 2015. However, we assess the need related to the premium segment has not yet recovered, many real estate companies will continue to use strategies through wholesale secondary brokers to increased consumer sales. Even the involvement of foreign elements when Building Amendments Act force (July, 2015), is only a supporting factor in long-term for the output of these enterprises.

Prospects for the ground segment this year thanks to the support of key infrastructure projects such as Ho Chi Minh City - Long Thanh - Dau Giay highways, Da Nang - Quang Ngai highways. Not only the land projects along the Ho Chi Minh City but also the provinces of Binh Duong, Dong Nai and Da Nang showed better ability to consume. Due to low values, the ability to sell fast and high gross profit margin (commonly 30-50%), ground segment will be a source of revenue and profits for many businesses in the lower segments in 2015.

Office leasing and retail segment in general may be not improved in 2015. Both of the two segments are under pressure of increasing in supply when many office building and complex center are completed in this year. Meanwhile, the demand of office lease has been not yet better due to constraint in business condition; domestic purchase capacity has just recover and there is more competitiveness against foreign brands in the retail market.

Industrial real estate segment, driven by the abundant FDI flows, continues to show the brightest prospects. The trend to shift production bases to Vietnam to take advantage of cheap labor and catch the trade agreements such as the FTA and TPP of foreign companies are expected to continue strong in this year. Investment activities of multinational corporations, such as

Samsung, LG, and Microsoft, will also entail the expansion of the “satellite” business and logistics companies, thereby boosting demand for leasing land in industrial areas. The new supply is forecast to be quite limited, land rent will have the opportunity and ability to restore growth in revenues and profits will go to the enterprise as available land to expand the rental clean and experienced attract FDI.

In general, operating cash flow will be improved and there may be an increasing growth in business operation but it is mainly from the low interest expense and the low realized business result in 2014. Besides, the inventory of this industry is predicted to come back due to additional loans in the low interest circumstance.

Table: Prospects of real estate in 2015

SECTOR	SEGMENT	HCMC/SOUTH		HANOI/NORTH	
		RENT/PRICE	ABSORPTION	RENT/PRICE	ABSORPTION
OFFICE	New buildings	→	↑	↓	↑
	Mature buildings	→	→	↓	→
RETAIL	CBD	→	→	→	→
	Non-CBD	↑	↑	↓	→
CONDOMINIUM	High-end	↑	→	↑	↑
	Mid-end	→	↑	→	↑
	Affordable	→	↑	→	↑
HOTELS	Inner-city hotels	→	→	↑	↑
	Beach hotels/resorts	→	↑	↑	↑
SERVICED APT.	Grade A	↑	↑	↓	→
INDUSTRIAL	Land	↑	↑	↑	↑
	Factory/Warehouse	→	↑	→	↑

Source: CBRE

Today, with the oil price approaching the \$50/barrel, the oil & gas stocks movement has been positive and help the indices ended the session in green. In addition, a number of “core” shares of the market may also have received positive effects from oil & gas group as VIC, SSI, VNM, while strong selling pressure of VNM and VCB created for market differentiation.

In general, the market has a healthy trading day with ups nearly double downs and do not have any Blue-chips hit the ceiling. Besides, the liquidity on both exchanges reached the highest level since the beginning of 2015 with matching volume of around VND2,716.5 billion. However, foreign transactions were pretty bleak with the net selling value of VND17 billion on 2 exchanges, notably the sale of two “cult”, VCB on HSX and PVS on HNX.

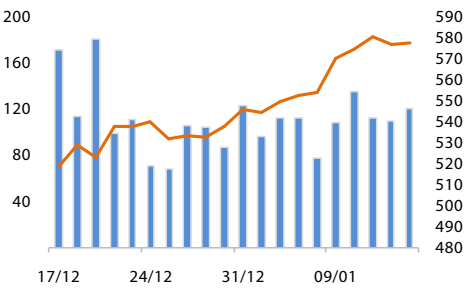
With the movement of the market in the last two sessions, the price of oil and Circular 36 were fully discounted by investor sentiment. Leading stocks has accomplished the task of attracting cash flow. Thereby, we believe that the average score in the last 3 sessions may be the “destination” of the market in a certain amount of time to wait for the movement of cash flow in some other groups, such as real estate stocks.

Nam Huynh

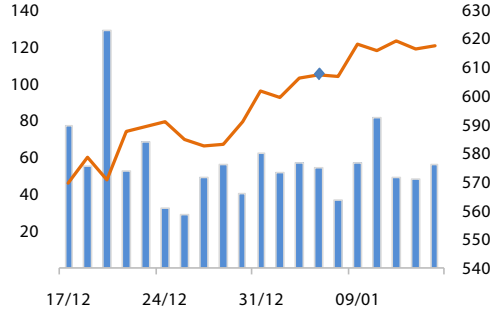
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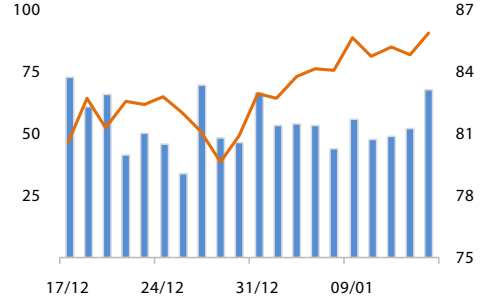
VNINDEX 0.13% **577.74**



VN30 0.13% **617.62**



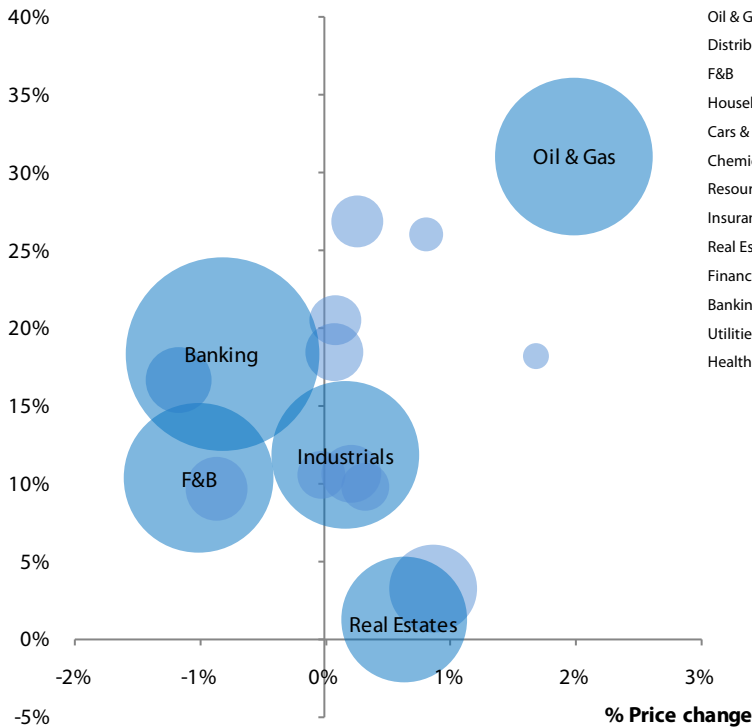
HNXINDEX 1.20% **85.88**



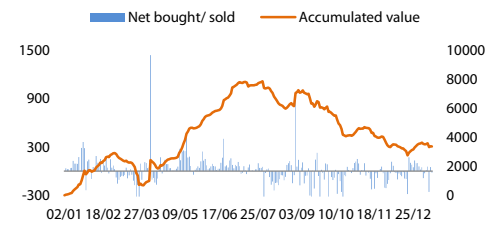
Industry Movement

Industry	% change
Technologies	0.1%
Industrials	0.2%
Constructions	0.9%
Oil & Gas	2.0%
Distribution	1.7%
F&B	-1.0%
Household Goods	0.3%
Cars & Parts	0.8%
Chemicals	0.1%
Resources	0.3%
Insurances	-1.2%
Real Estates	0.6%
Financials	-0.9%
Banking	-0.8%
Utilities	0.2%
Healthcare	0.0%

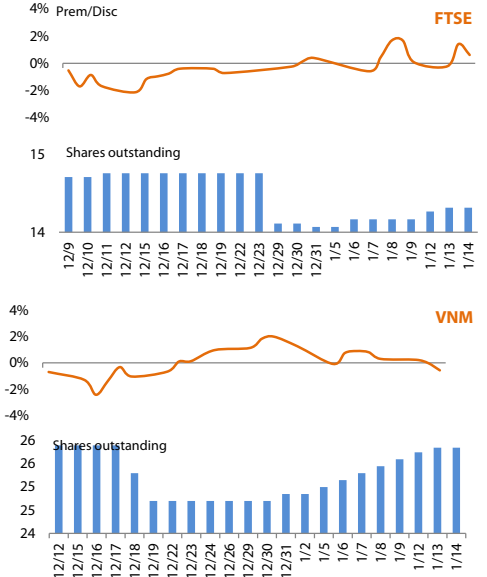
Industry ROE



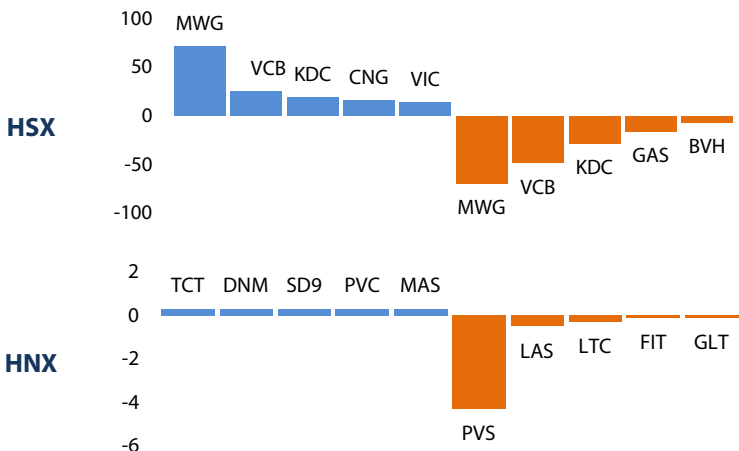
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



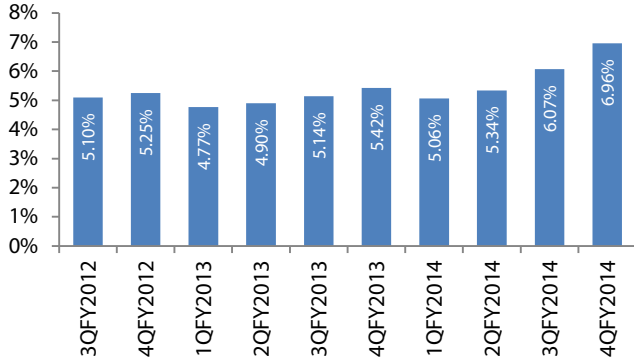
Top Active

Ticker	Price	Volume	% price change
OGC	6.4	10.66	3.2%
FLC	11.0	9.94	2.8%
HAI	14.8	6.87	0.0%
PVT	14.6	4.93	6.6%
VHG	12.8	4.49	0.0%

Ticker	Price	Volume	% price change
KLF	12.1	23.37	9.0%
PVS	28.9	7.36	7.8%
PVX	5.1	3.50	2.0%
SHB	8.9	2.98	1.1%
PVC	25.3	2.78	4.5%

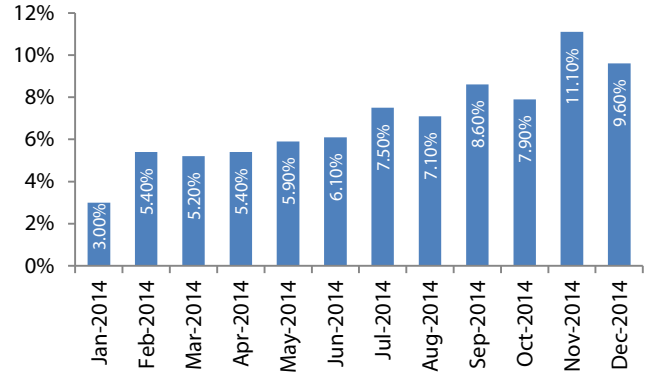
MACRO WATCH

Graph 1: GDP Growth



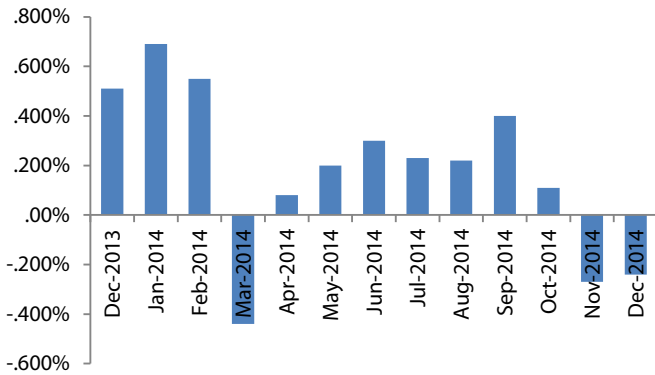
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



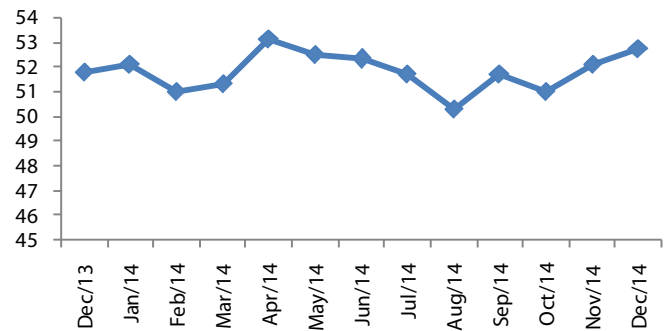
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



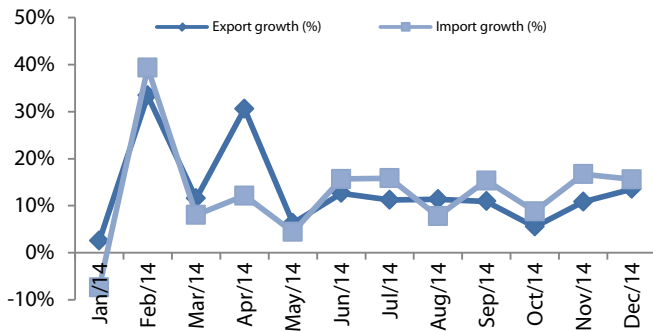
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



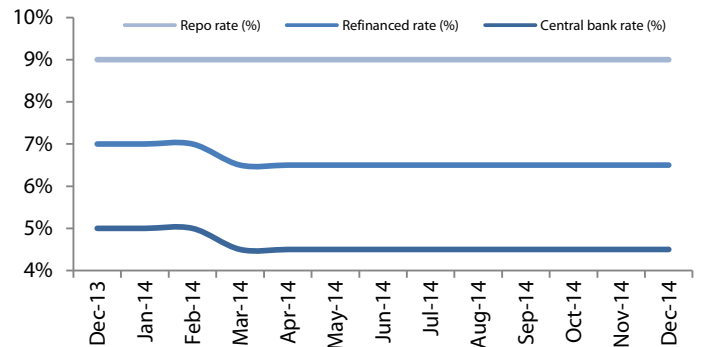
Sources: GSO. Rongviet Securities database

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
HMH - Positive outlook from various supporting factors	Jan 06 th , 2014	Accumulate – Long term	33,800
DPM - Tail wind from crude oil	Dec 26 th , 2014	Buy – Intermediate term	36,100
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

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	06/01/2015	0%-0.75%	0%-2.5%	11,403	11,370	0.29%
VEOF	06/01/2015	0%-0.75%	0%-2.5%	9,353	9,065	3.18%
VF1	09/01/2015	0.2% - 1%	0.5%-1.5%	20,840	20,915	-0.36%
VF4	07/01/2015	0.2% - 1%	0%-1.5%	9,017	8,799	2.48%
VFA	09/01/2015	0.2% - 1%	0%-1.5%	7,345	7,313	0.43%
VFB	09/01/2015	0.3% - 0.6%	0%-1%	11,887	11,877	0.09%
ENF	02/01/2015	0% - 3%	0%	10,605	10,402	1.95%
MBVF	05/01/2015	1%	0%-1%	11,234	11,109	1.13%
MBBF	31/12/2014	0%-0.5%	0%-1%	11,908	11,893	0.13%

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