

- All red!
- What is the impact of Dong devaluation on enterprise's performance?

**All red!**

Ending this morning's session, the two indices performed fairly well after consecutive downs. However, due to the information from China in this afternoon of June 20<sup>th</sup> about the increase of 3 drilling rigs in the East Sea, the indices significantly declined, showing that the investor's sentiment was somehow affected. Prices of major stocks such as GAS, VCG, KLS fell and the two indices both turned into "red", especially MSN created important impact on VN-Index due to the net selling of VND55 billion by foreign investors. To sum up for the whole week, VN-Index and HN-Index respectively dropped by 2.38% and 0.48% compared to last week. Particularly, up to now, VN-Index had total 5 consecutive downs, closed at 560.78 points whereas HN-Index closed at 76.31 points.

The foreign capital flow significantly moved into the stock market. Specifically, the total net-buying of foreign investors in both exchanges reached VND738 billion, equivalent to 5.5 times larger than last week's. In today session – the last trading day of the review of FTSE ETF and VNM ETF, VND400 billion was flowed into the Vietnamese securities market. Specially, the focus was on STB and HVG, with 23.5 and 3.9 million shares traded, respectively. In addition, HPG was considerably bought by international investors due to the information about net-bought 4 million shares of VOF Investment Limited.

**What is the impact of exchange rate on enterprise's performance?**

After Dong devaluation undertook by the SBV, many investors have wondered about its impacts on performance of our favorable stocks. Thus, we would like to explain here:

| Company | Industry           | Factors influenced by exchange rate |                               |                  | Overall outlook from exchange rate impact |
|---------|--------------------|-------------------------------------|-------------------------------|------------------|---|
|         |                    | Debt                                | Expense of Imported materials | Exported Revenue |   |
| TCM     | Textile            | x                                   |                               |                  | Slightly negative                         |
| PGS     | Oil & gas          |                                     | x                             |                  | Neutral                                   |
| HPG     | Steel              |                                     | x                             |                  | Neutral                                   |
| HSG     | Steel              |                                     | x                             |                  | Slightly negative                         |
| GDT     | Household products |                                     |                               | x                | Slightly positive                         |
| DBC     | Food               |                                     | x                             |                  | Neutral                                   |
| CSM     | Rubber tire        | x                                   |                               | x                | Slightly negative                         |

The steel industry with annual large material imports seems to have extensive affects. However, according to two biggest companies (HPG and HSG) which mainly import HRC and steel billet, these impacts are tiny. The provisions for exchange rate fluctuations are took into accounts in annual planning. Therefore, this Dong devaluation is not surprising and slightly influences on their profits.

In terms of TCM case, company's debt is majorly in USD (~USD855 billion). Due to the exchange rate adjustment, TCM will recognize the unrealized foreign exchange loss of ~VND6billion. Nevertheless, assuming the total revenue in USD of TCM increases by 1%, the NPAT will only rise

*“What is the impact of Dong devaluation on enterprise's performance?”*

by ~VND1-2 billion. Hence, our industry analyst believes the exchange rate only has insignificant and slight impact on TCM.

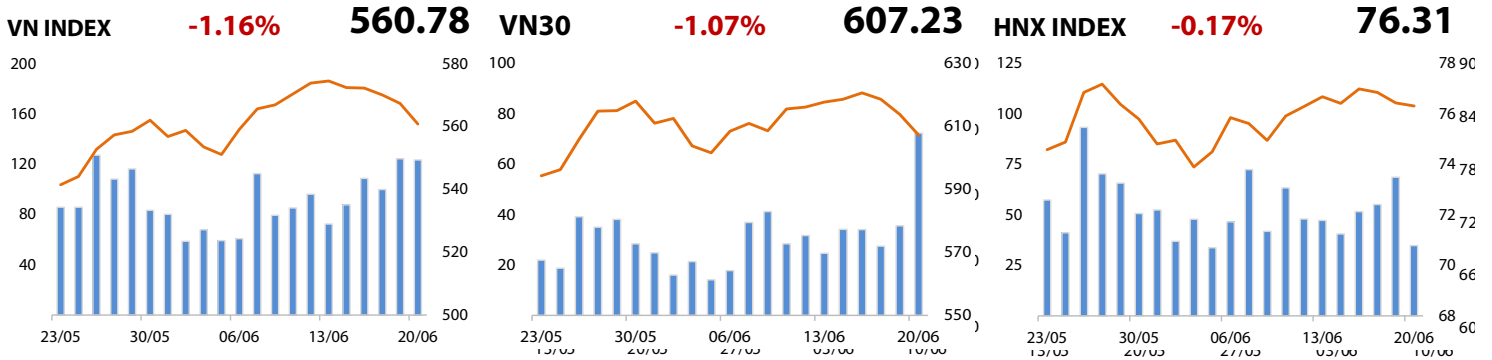
In case of GDT, exports account for 85-90% of total revenue whereas materials are bought in Vietnam. Based on the exchange rate adjustment, our industry analyst estimates GDT benefits ~VND2.2 billion. Although this number is not very significant, it is an advantage for GDT in competition in exported markets. In other word, in addition to decrease in price of rubber wood, GDT gets another source of income.

Moreover, the adjustment is good for seafood, rubber and mining businesses which have high level of exports, our industry analysts also said. The main purpose of this devaluation is to support for export in order to stimulate economic growth as well as stabilize exchange market in last 6 months of this year. According to many businesses, this exchange rate adjustment is not shock, and they have prepared for this with expectation that the variation could be higher than 1-2% as SBV announced.

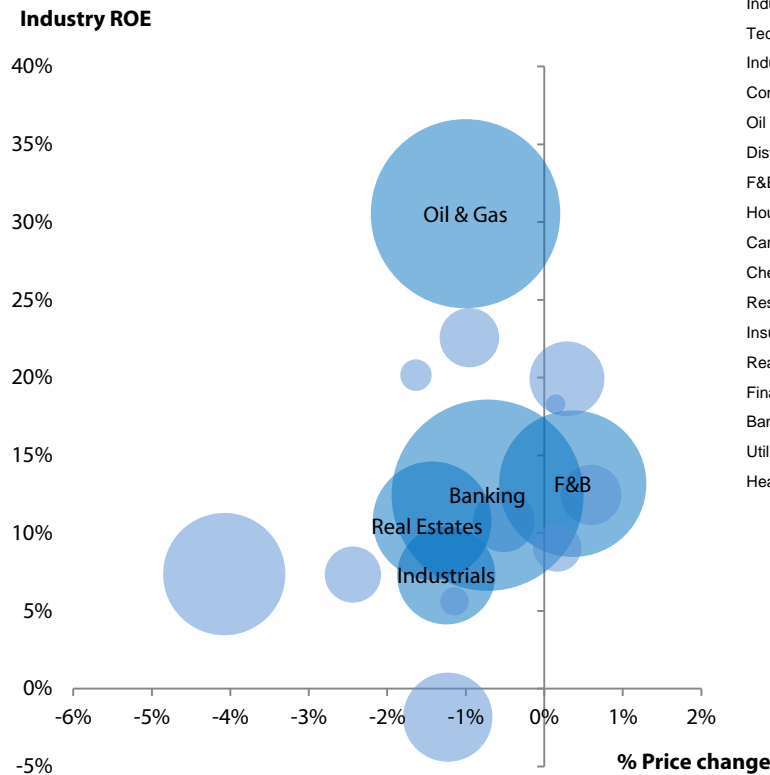
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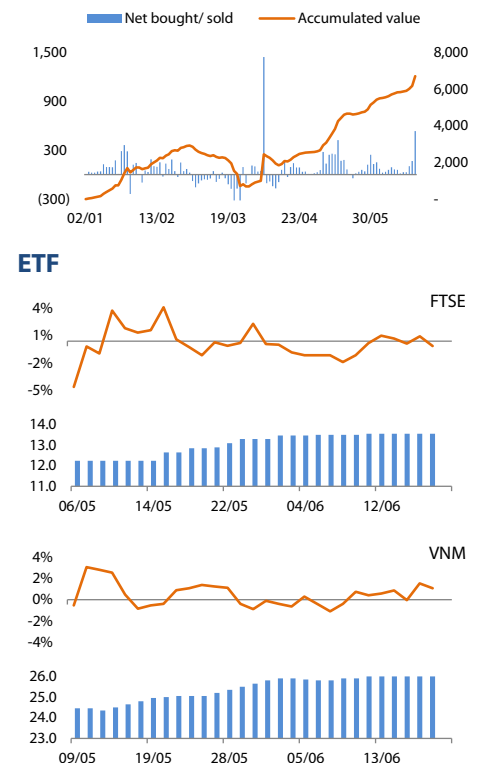
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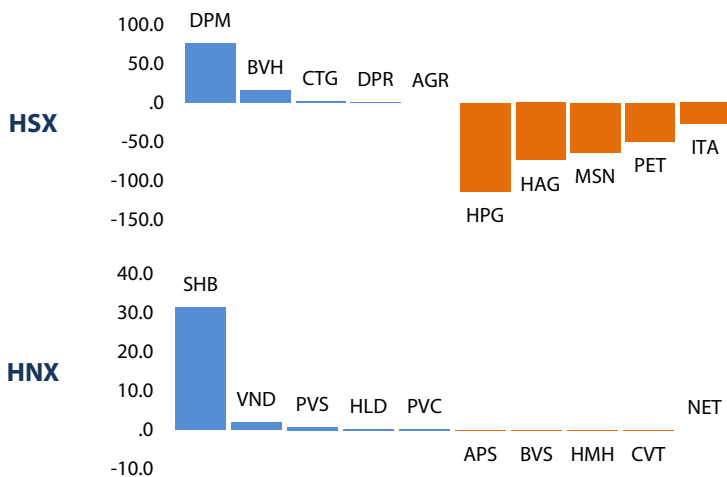
**Industry Movement**



**Foreign Investors Trading**



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



**Top Active**

| Ticker | Price | Volume | % price change |
|--------|-------|--------|----------------|
| STB    | 21.50 | 23.66  | 2.4%           |
| PVT    | 11.50 | 7.45   | -5.0%          |
| ITA    | 7.90  | 6.19   | -2.5%          |
| FLC    | 10.60 | 5.39   | -1.9%          |
| HAG    | 23.80 | 4.75   | -0.8%          |

| Ticker | Price | Volume | % price change |
|--------|-------|--------|----------------|
| KLF    | 11.20 | 6.86   | -0.1%          |
| SHB    | 9.20  | 5.09   | -0.6%          |
| SCR    | 8.40  | 2.39   | -0.2%          |
| KLS    | 11.80 | 2.24   | 0.2%           |
| PVS    | 26.80 | 2.08   | 0.7%           |

**WEEKLY TECHNICAL VIEW**

**VN-Index**

From 16/6/2014 to 20/6/2014, VN-Index lost 13,7 points (or 2,38%), closed at 560,78. Totally, 513,5 million shares changed hands (+18,4%).

VN-Index went down in all five sessions on above average volumes. As mentioned, the 570-580 area is the strong resistance of VN-Index and the appearance of strong selling force here is predictable.

On daily chart, two Bullish Engulfing patterns appeared. This pattern also appeared on weekly chart. These implied the trend reversal of VN-Index.

MACD is going to cut down the signal line. RSI turned down below 50. The correction of VN-Index may last longer. The next target is 550 area.

VN-Index cut above the 50-day moving average on 09/6/2014, but this average line is still going down. Therefore, when VN-Index turned down to this line (around 560), the MA(50) is not a trusted support.



**HNX-Index**

From 16/6/2014 to 20/6/2014, HNX-Index decreased 0,37 points (or 0,48%), closed at 76,31. Trading volume reduced slightly from 265,5 to 242 million shares.

HNX-Index reached the previous peak and the 50-day moving average (around 77,5) but could not break through and turned down.

Indicators show that HNX-Index is now in a trading range. MACD histogram lowered to Zero line. RSI is fluctuating slightly around 50. ADX went down below 20. The resistance is 77,5 while the support is around 73,5.



**Recommendation:** both two indexes turned down at strong resistances. Now may be the time for corrections. Short-term investors who did take profits continue to hold cash and wait for new signals while long-term investors continue holding stocks for long-term goals.

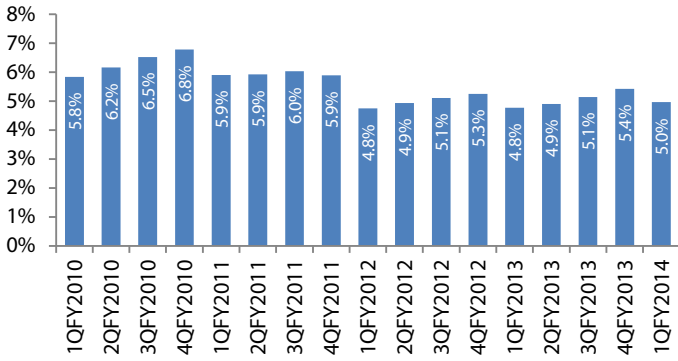
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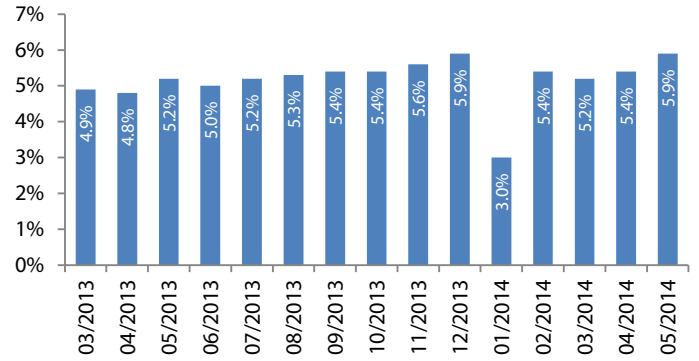
## MACRO WATCH

**Graph 1: GDP Growth**



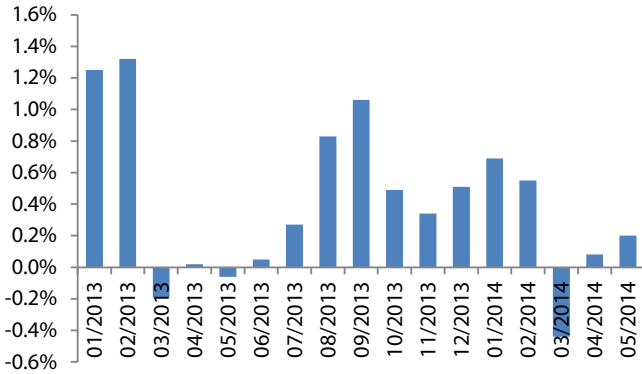
Sources: GSO, Rongviet Securities database  
(\* Comparison price in 1994)

**Graph 2: IIP**



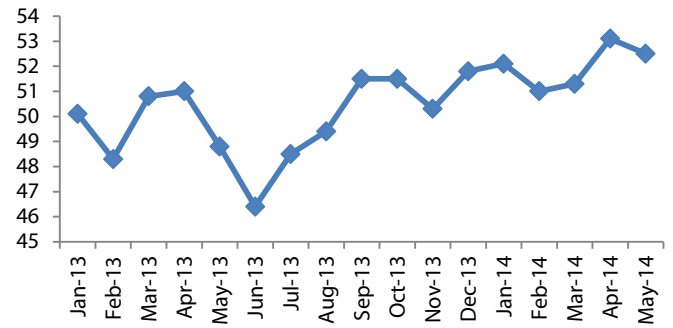
Sources: GSO, Rongviet Securities database

**Graph 3: Monthly CPI**



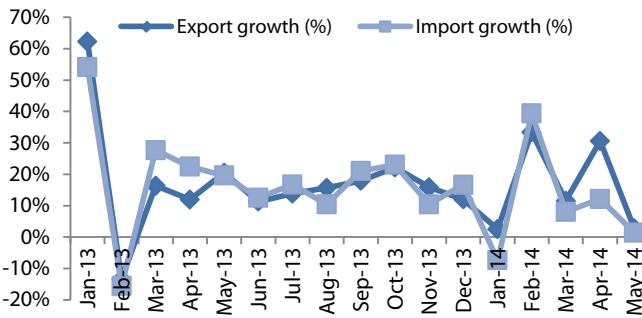
Sources: GSO, Rongviet Securities database

**Graph 4: HSBC - PMI**



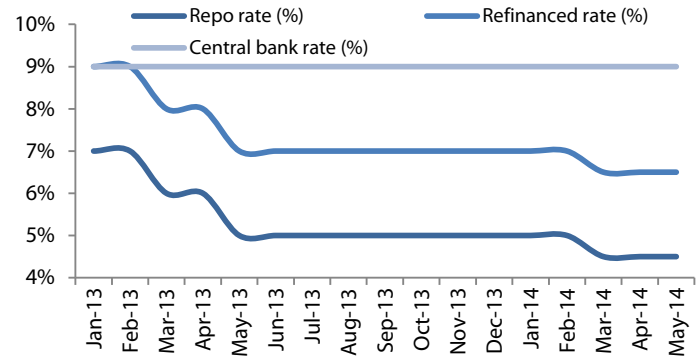
Sources: GSO, Rongviet Securities database

**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 |
|--|-------------------------------|---------------------------------|--------------|
| DBC-Benefit from decline in material price | May 27 <sup>th</sup> , 2014   | Buy – Long-term                 | 28,000       |
| FPT-Leaping revenue                        | May 27 <sup>th</sup> , 2014   | Accumulate – Intermediate-term  | 51,600       |
| NBB-Strengthened cash flows                | May 07 <sup>th</sup> , 2014   | Buy – Long-term                 | 36,300       |
| DIG-Reboot                                 | April 28 <sup>th</sup> , 2014 | Accumulated – Long-term         | 19,200       |
| HPG-Sustainable Development                | April 24 <sup>th</sup> , 2014 | Accumulated – Intermediate-term | 55,100       |

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       | 10/06/2014  | 0.75%                                 | 0.75%                               | 10,761                         | 10,766                           | -0.05 %       |
| VF1       | 12/06/2014  | 0.20% - 1.00%                         | 0.50%-1.50%                         | 20,784                         | 20.384                           | 1.96 %        |
| VF4       | 11/06/2014  | 0.20% - 1.00%                         | 0.00%-1.50%                         | 9,395                          | 9.318                            | 0.83 %        |
| VFA       | 13/06/2014  | 0.20% - 1.00%                         | 0.00%-1.50%                         | 7,363                          | 7.345                            | 0.24 %        |
| VFB       | 13/06/2014  | 0.30% - 0.60%                         | 0.00%-1.00%                         | 10,799                         | 10.771                           | 0.26 %        |
| ENF       | 06/06/2014  | 0.00% - 3.00%                         |                                     | 9,609                          | 9.706                            | -1.00 %       |

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