

MARCH

10

TUESDAY

ADVISORY DIARY

- How falling oil prices will impact to Vietnam economy in the first two-month period?
- Market sentiment improved in the afternoon trading session but not extended

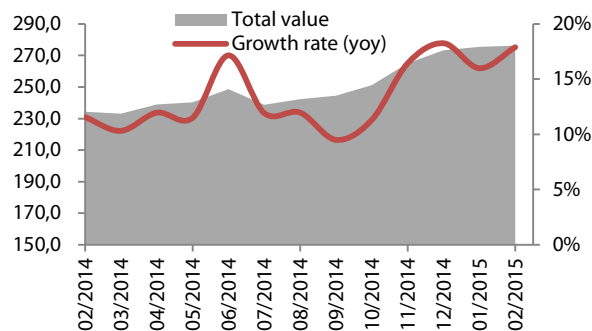
How falling oil prices will impact to Vietnam economy in the first two-month period?

The impact of oil slump on economy is one of an important factor that we need to consider in 2015. Tracking the economy movement in the first months, we realize that this factor has begun to affect more clearly to Vietnam.

At first glance, **inflation** is the clearest and fastest reflection of a decline in oil price. According to GSO, February CPI stood at -0.11% and was the fourth consecutive negative month. Of which, transportation index (decreasing by 4.41%) had the strongest impact on the CPI. Notably, low gasoline and stable essential product prices had positively affect domestic consumption. In the first two months, total retail products and services rose 10.7% (excluded inflation factor), much higher than 6.2% as compared to the same period last year. If gasoline remains the current price level (VND15.600/liter), Vietnamese citizens could save VND50.000 billion expense for gasoline this year. Thanks to that, consumer demand might continue going up.

“Market sentiment improved in the afternoon trading session but not extended”

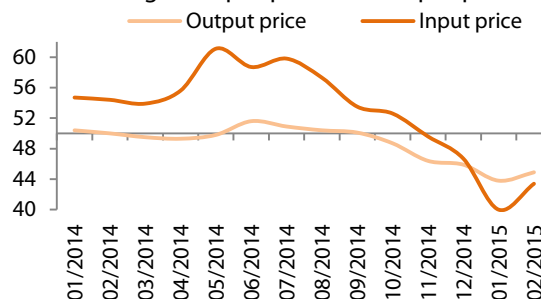
Exhibit: Retail Sales growth



Source: GSO, RongViet Research

Besides individual consumers, businesses are the next beneficiary from low oil prices. According to HSBC, Purchase Management Index (PMI) of February 2015 reached over 50 points for 18 consecutive months. Notably, the element indices such as input price index fell for the fourth straight months. In previous periods, input prices constantly raised and the difference between the input and output price indexes were negative but the gap has remain positive in the first two months. We believe that margins of manufacturing firms will have some improvement in 1Q 2015 thanks to above result.

Exhibit: Change in input price and output price in PMI



Source: HSBC, RongViet Research

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Contrary to the picture of consumption and production, we found that **import & export activities** and budget revenues were significantly affected by low oil price. For export operations, accumulated the first two months of 2015, exports only increased slightly about 8.6%, much lower than the rate of the same period last year. Meanwhile, import strongly rose, up 16.4%.

For crude oil, export volume increased significantly over the same period (+ 37.1% yoy) while the value lost -59.1% yoy. In term of import, value of gasoline products also decreased an equivalent amount. However, prices of imported goods related to crude oil was still about 23% higher than the export prices of crude oil so that the trade balance for goods related to crude oil was still leaning toward the deficit.

Regarding **fiscal policy**, according to the Ministry of Finance, budget revenue in the first two months of this year achieved quite positive results at VND151.87 trillion (up 17.3 % y-o-y). However, we found that a decline in oil prices was reflected in the budget revenue. More detail, accumulated revenues from crude oil had declined ~ 20.2 % yoy. This negative impact was partially offset by an increase in revenues from enterprise production and business activities, up 29.3% y-o-y. Due to Tet holiday, construction investment disbursement slowed down; therefore budget deficit in the first two months remained relatively low, with only 9 % of the estimated figure. When the expenditure speed increases next months, state budget deficit may be affected more than impact from the decline of oil price.

In summary, besides the positive impact to consumer demand and production activities of enterprise, a decline in crude oil prices had negative impacts on trade balance and budget deficit, especially with crude oil export value in Vietnam.

This morning, the Standing Committee of the National Assembly agreed to raise environmental protection tax rates for petrol from VND1,000/liter to VND3,000/liter and will officially be applied from the beginning of May 2015. Based on current petrol price calculations of the Ministry of Finance (based price on the date of Feb 04th, 2015), CIF basis calculation is 7,782 VND/liter for A92 gasoline, while the current retail price of Petrolimex is 15,670 VND/liter. According to our calculations, the total fees and taxes Vietnam consumers are incurring ~ 7,888 VND/liter (~50.3 % compared to the base price). Moreover, the Ministry of Finance made known that imported gasoline tax will decrease from 35% to 20%. Therefore, with the new tax rate, A92 gasoline will increase by 5% as compared to current price.

Market sentiment improved in the afternoon trading session but not extended

After three sessions dropping by about 12 points, the negative sentiment continues to spread in the morning trading session. However, in the afternoon session, speculative and blue-chips stocks traded more actively, therefore market breadth remained more balanced. Two exchanges closed in green, in which VNIndex rose 0.21%, closing at 589.66 points and HNXindex reached at 86.36 points.

FLC (+ 4.5%) is the bright spot in today session with trading volume witnessing a record (~ 30.82 million shares, an increase of 192% as compared with the previous session). Today, FLC made known to increase capital from 3,750 to VND8,398 billion (+124%). Funds from the additional issues will compensate to a variety of projects (Table below for more information). Last year, FLC was also prominent story with sustained additional capital, after many dilutions, the market price has risen more than 40% FLC since early 2014.

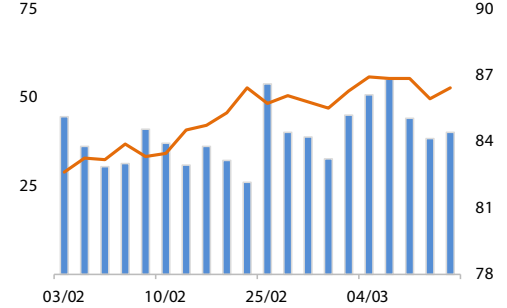
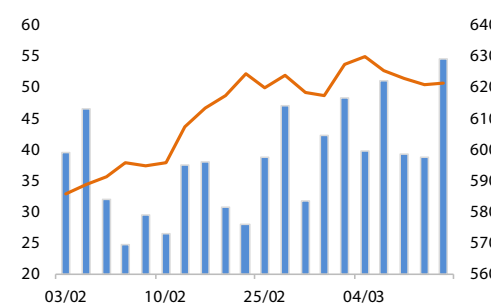
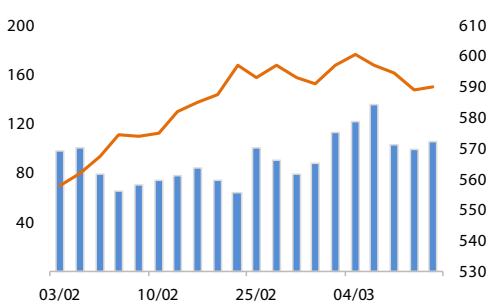
Project	Place	Investment
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			Capital (VND billions)
1	FLC Sam Son	Thanh Hoa	1,100
2	FLC Star Tower	Ha Noi	400
3	Chan Hung Industrial zone	Vinh Phuc	400
4	Khanh Hoa Administrative Center	Khanh Hoa	800
5	Hoang Long Industrial zone	Thanh Haa	680
6	Hon La 2 Industrial zone	Quang Binh	520

Source: FLC, RongViet Research

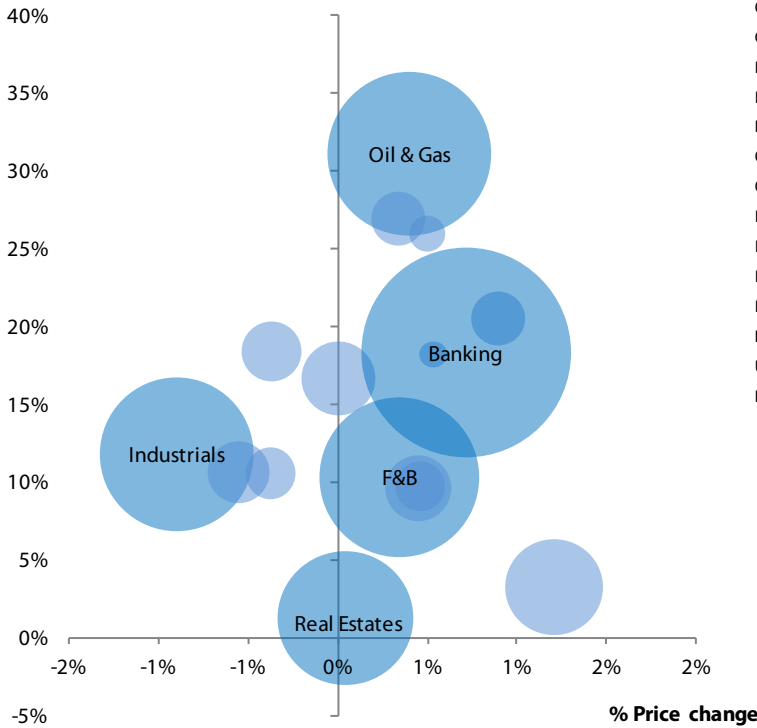
DHA (+ 3.4%) which is a stock that we mentioned in the recent AD, experienced an active trading session. After making a short discussion with BOD, they made known that construction rocks' volume consumed in the early months rose remarkable. Therefore, estimated Q12014 EBT might reach about VND 8-9 billion, higher than the same period last year (~ VND1.4 billion). Besides, the company also intended to pay higher dividend rate of 8% instead of 5% as stated in the 2014 guidance.

VNINDEX 0.21% **589.66** **VN30** 0.04% **621.10** **HNXINDEX** 0.54% **86.36**

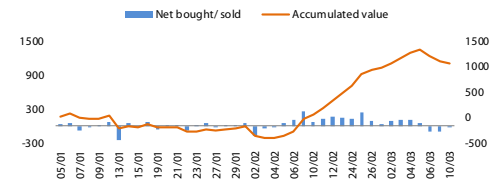


Industry Movement

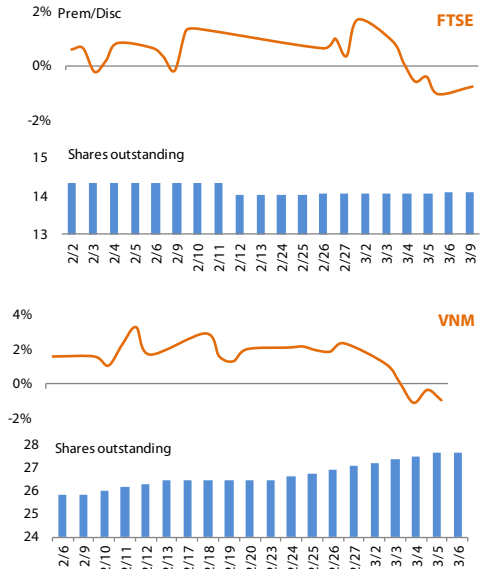
Industry ROE



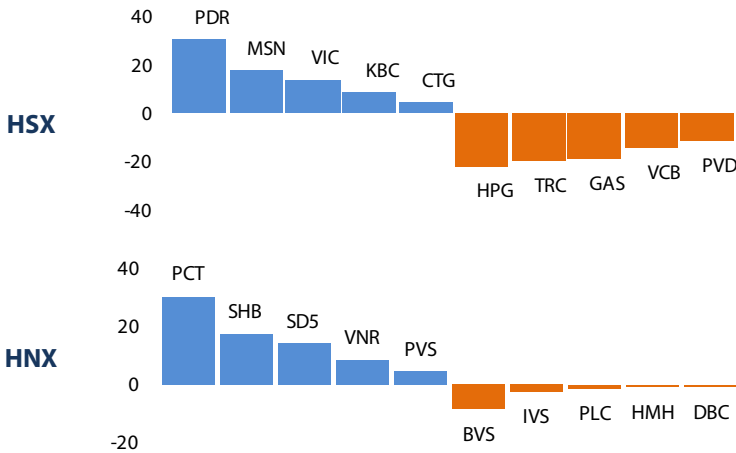
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



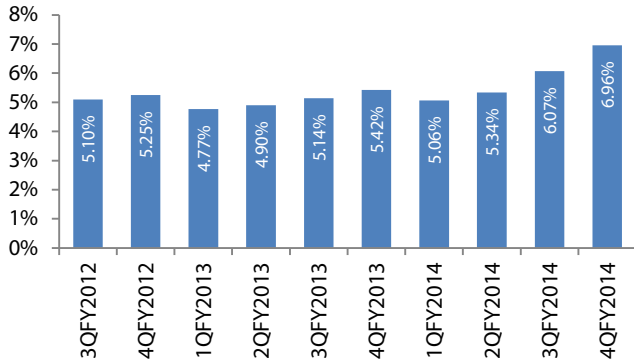
Top Active

Ticker	Price	Volume	% price change
FLC	11.6	30.82	4.5%
HQC	7.1	4.10	0.0%
HAI	14.6	3.12	-5.8%
KBC	17.1	2.65	1.2%
GTN	17.3	2.48	4.8%

Ticker	Price	Volume	% price change
KLF	10.6	6.27	1.0%
FIT	18.3	5.10	2.8%
SHB	9.0	1.69	2.3%
S99	13.6	1.36	7.1%
PVX	5.2	1.32	2.0%

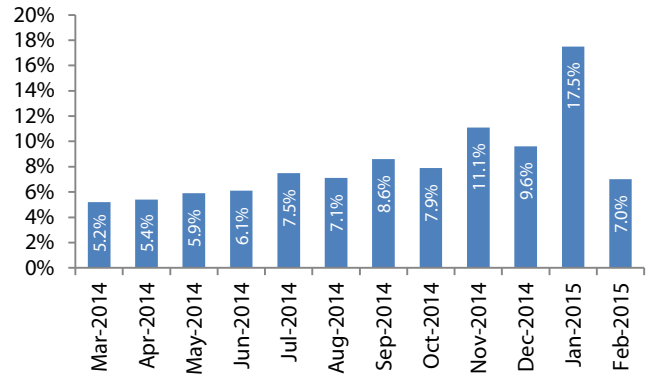
MACRO WATCH

Graph 1: GDP Growth



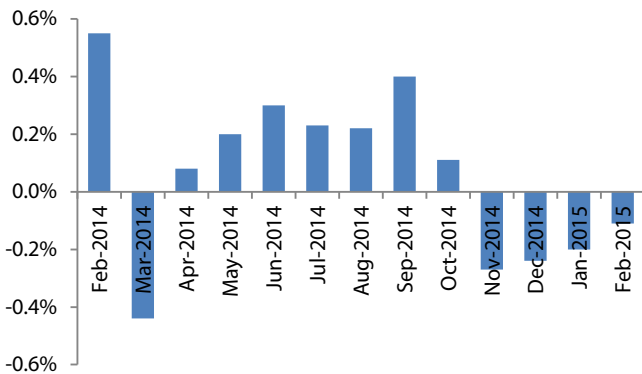
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



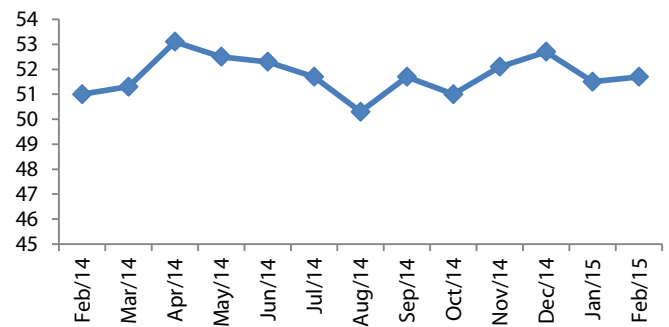
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



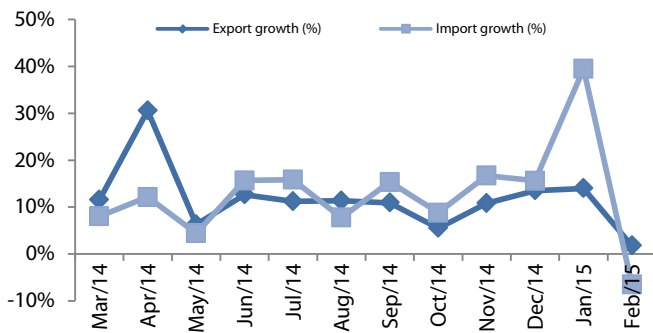
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



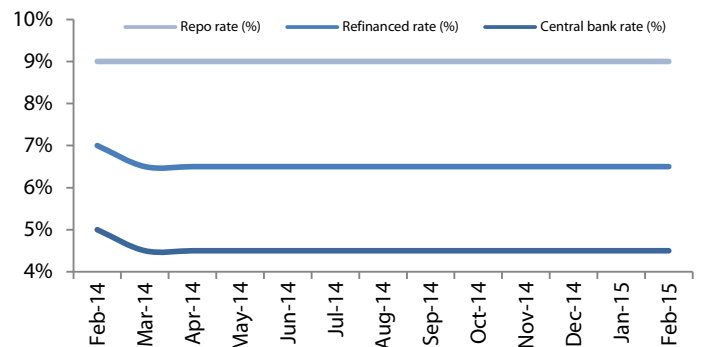
Sources: GSO. Rongviet Securities database

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
PAC- Opportunities along with challenges	Jan 14 th , 2015	Accumulate – Intermediate term	27,500
HMH - Positive outlook from various supporting factors	Jan 06 th , 2015	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	

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	27/01/2015	0%-0.75%	0%-2.5%	11,583	11,454	1.13%
VEOF	27/01/2015	0%-0.75%	0%-2.5%	9,627	9,567	0.63%
VF1	30/01/2015	0.2% - 1%	0.5%-1.5%	21,515	21,452	0.29%
VF4	28/01/2015	0.2% - 1%	0%-1.5%	9,337	9,218	1.29%
VFA	30/01/2015	0.2% - 1%	0%-1.5%	7,415	7,371	0.58%
VFB	30/01/2015	0.3% - 0.6%	0%-1%	12,015	11,912	0.86%
ENF	23/01/2015	0% - 3%	0%	10,481	10,790	-2.86%
MBVF	22/01/2015	1%	0%-1%	11,115	11,176	-0.54%
MBBF	21/01/2015	0%-0.5%	0%-1%	11,880	11,921	-0.34%

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