

“Stocks shaken as profit takers sprang into action”

• **Vietnam climbs in global competitiveness map despite vague improvements**

Since HSBC report showed Vietnam manufacturing sector PMI going down for the 4<sup>th</sup> straight month in August to 50.3, the World Economic Forum has published the Global Competitiveness Report for the period 2014-2015.

According to the WEF’s latest ranking, Vietnam climbs 2 notches in overall competitiveness to the 68<sup>th</sup> thanks to such optimistic macro elements as curbed inflation, more effective public institutions, better property right protection, improved efficiency, lower level of perceived corruption and higher quality of transport and energy infrastructures. Among the 12 pillars of assessment (with the exception of market size), Vietnam has the best showing in labor market efficiency (49<sup>th</sup> place), mostly thanks to the young working population’s being flexible to changes in the work environment and wage fluctuations. What causes disappointment is that the WEF considers Vietnam’s finance sector and banks remain vulnerable, which is not surprising given the current circumstance of sluggish credit growth and opaque NPL disclosures. Similarly, slowness to adopt new technology with companies typically operating toward the bottom of the value chain pushed the nation’s ranking in business sophistication down 11 notches from the previous report. Our analyst stresses that this will be revealed as Vietnam’s “Achilles’ heel” as the country marches towards global trade blocs such as the TPP and the FTAs before the trade agreements can initiate a radical technological shift for the country. In general, a higher ranking in the global competitiveness map indicates improvements, though not significant, of the economy. Anyway, a more sustainable macroeconomic situation is the firm footing for Vietnam to carry on with its next steps.

**Exhibit 01: Vietnam’s ranking in WEF’s Global Competitiveness Indexes**

Year	2013/2014		2014/2015		Direction
	Number of ranked economies		144		
Score band 1-7	2013/2014	Score	2013/2014	Score	
Institutions	98	3.54	92	3.51	▲ (6 places)
Infrastructure	82	3.69	81	3.74	▲ (1 places)
Macroeconomic environment	87	4.44	75	4.66	▲ (12 places)
Health & Primary education	67	5.78	61	5.86	▲ (6 places)
Higher education and training	95	3.69	96	3.74	▼ (1 places)
Goods market efficiency	74	4.25	78	4.24	▼ (4 places)
Labor market efficiency	56	4.4	49	4.37	▲ (7 places)
Financial market development	93	3.76	90	3.77	▲ (3 places)
Technological readiness	102	3.14	99	3.12	▲ (3 places)
Market size	36	4.64	34	4.69	▲ (2 places)
Business sophistication	98	3.68	106	3.58	▼ (8 places)
R&D Innovation	76	3.14	87	3.12	▼ (11 places)

Sources: WEF, Rong Viet Securities

In the Rapid-Growth Markets Report of 2Q2014, top consulting firm Ernst & Young also had notes on important aspects Vietnam’s macro-economy. On the one hand, real GDP was forecasted to 5.6% in 2014, lower than the government’s guidance of 5.8% and the prediction for 2015’s GDP decreased from 6.4% to 6.0% due to concerns over the China-Vietnam territorial tensions and the decline in intra-Asian trade activities. On the other hand, this institution maintained the growth forecast for the 2016-2017 period on the expectation of strengthened capital inflows and exports. EY also highlighted the potential Vietnam’s membership in the TPP and structural change in the

FDI composition indicating companies moving to higher-value product lines. Like the WEF, EY mentioned the slow credit expansion as one of major investment risks of Vietnam along with stalled progress in down-sizing SOEs. Anyway, the fact that the economy has dropped from the 4<sup>th</sup> riskiest market to the 11<sup>th</sup> is a big plus for Vietnam.

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**Exhibit 02: Selected Ernst&Young's forecasts of Vietnam macroeconomics variables 2013-2018**

Particulars	2013	2014	2015	2016	2017	2018
Real GDP growth (% per year)	5.4	5.6	6.0	6.5	7.0	6.5
CPI inflation (% per year)	6.6	5.9	6.0	5.5	5.0	4.5
Current account balance (% of GDP)	5.0	2.7	1.3	0.0	-0.2	-0.3
External debt total (% of GDP)	30.5	24.8	21.6	19.7	18.2	16.9
Short-term interest rate (%)	7.0	7.0	6.0	6.0	6.0	6.0
Exchange per US\$ (year average)	20,933	21,100	21,834	22,436	22,944	23,429
Government balance (% of GDP)	-4.4	-4.5	-4.2	-3.7	-3.5	-3.4
Population (millions)	91.7	92.5	93.4	94.1	94.9	95.6
Nominal GDP (US\$b)	171.2	193.7	211.7	231.6	254.4	277.2
GDP per capita (US\$ current prices)	1,868.2	2,093.9	2,267.4	2,461.0	2,681.5	2,900.2

Sources: EY Rapid-Growth Markets Forecast July 2014, RongViet Securities

Obviously, the reports above all points to brighter picture for the economy of Vietnam. However, the improvements, as we have witnessed so far, have been so vague that it makes the expectations that pushed VNIndex to one high after another seem rather overoptimistic.

**Exhibit 03: August's top gainer statistics\***

Ticker	30d price chg. (%)	30d Avg. volume (%)	YoY NPAT chg. (%)	YoY CFO chg. (%)
VCS	132.0	239,300	49,4	3,37
KSQ	102.4	142,140	51,4	278,47
FMC	69.5	134,158	1078,3	-968,06
PVC	49.3	1,533,467	395,7	-1722,78
PVB	48.1	308,823	271,1	387,71
PVE	43.3	552,050	111,2	124,29
TNT	38.7	298,084	183,6	86,76
PXI	37.3	257,687	-300,1	-10,70
KBC	31.8	1,605,354	-159,2	22,74
PET	31.1	1,965,151	4,6	28,97

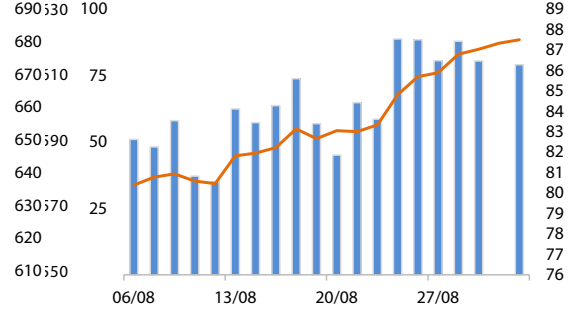
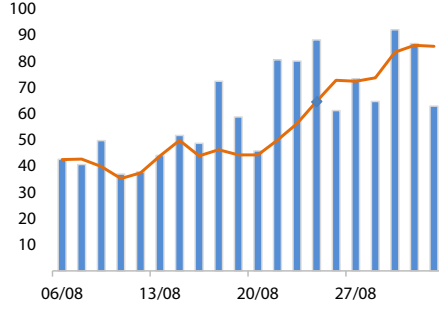
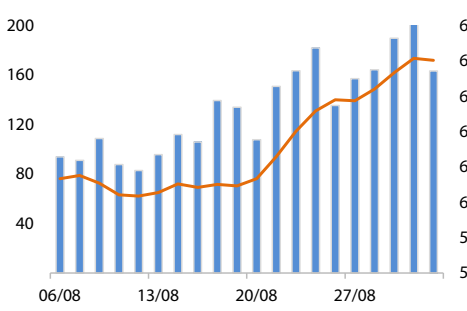
Sources: Rong Viet Securities, \*top 30 percentile of 30-day average volume

Tai Nguyen

+ 84 8 6299 2006 | Ext: 315

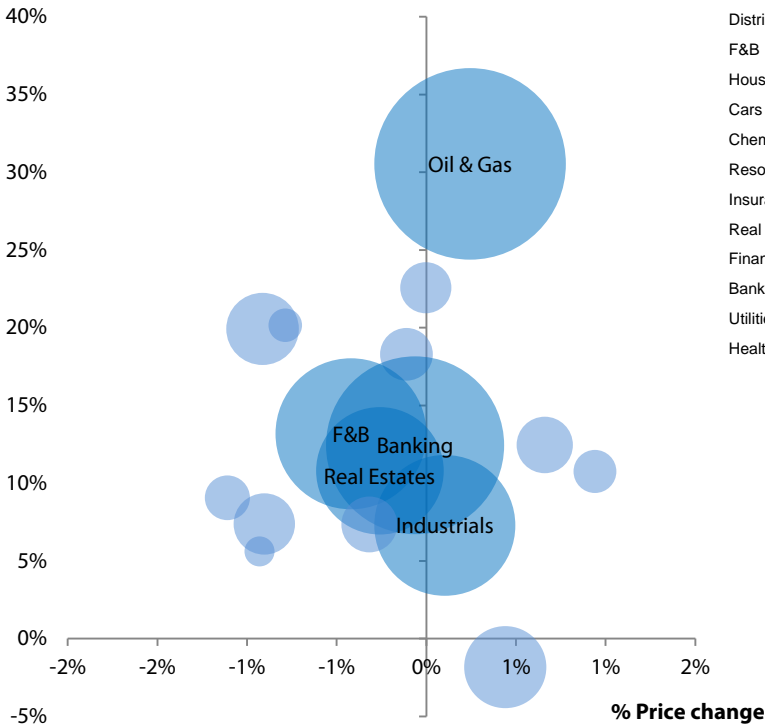
[tai.nbp@vdsc.com.vn](mailto:tai.nbp@vdsc.com.vn)

**VNINDEX** -0.08% **640.22**    **VN30** -0.05% **678.59**    **HNXINDEX** 0.19% **87.50**

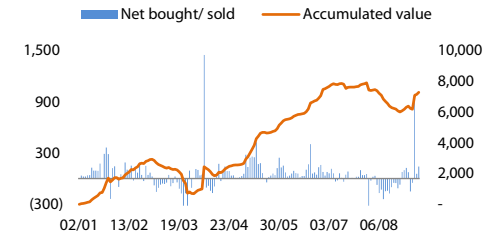


**Industry Movement**

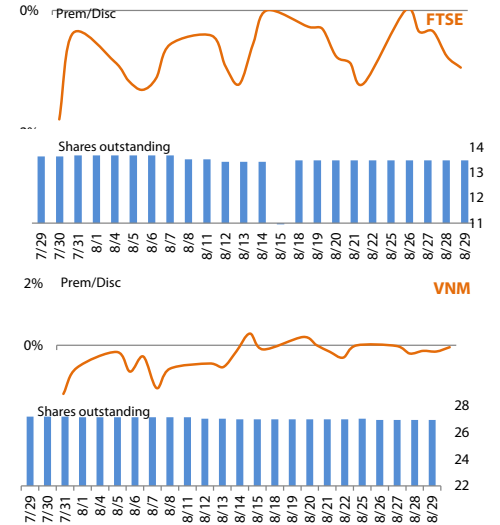
**Industry ROE**



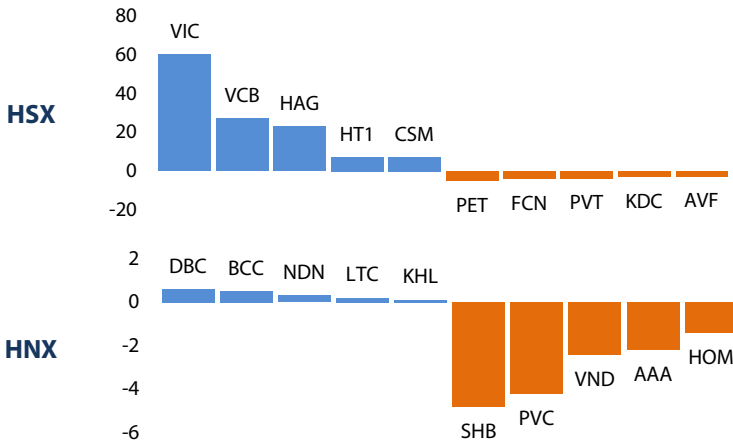
**Foreign Investors Trading**



**ETF**



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



**Top Active**

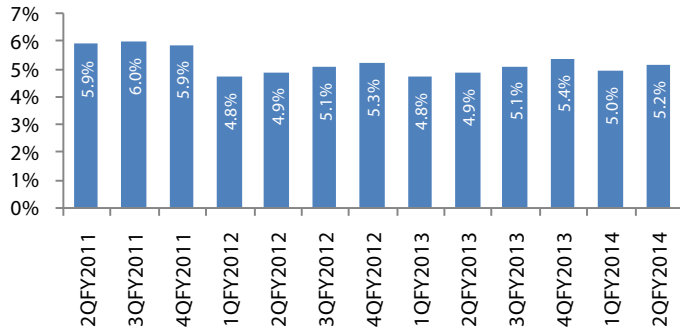
Ticker	Price	Volume	% price change
FLC	13.00	11.67	-1.5%
ITA	9.30	10.90	0.0%
KSS	6.60	4.43	-1.5%
HQC	8.50	4.28	-2.3%
SAM	11.90	3.68	-0.8%

Ticker	Price	Volume	% price change
PVX	5.70	12.99	0.0%
KLF	13.00	12.08	-0.8%
SCR	10.50	4.86	-0.9%
SHB	9.80	3.88	1.0%
KLS	12.30	3.36	-1.6%

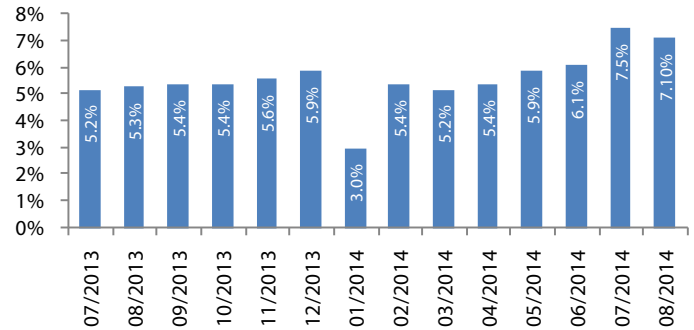
**MACRO WATCH**

**Graph 1: GDP Growth**



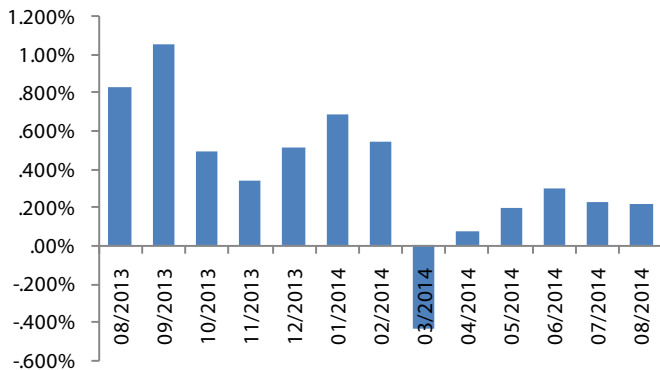
Sources: GSO. Rongviet Securities database  
(\* Comparison price in 1994)

**Graph 2: IIP**



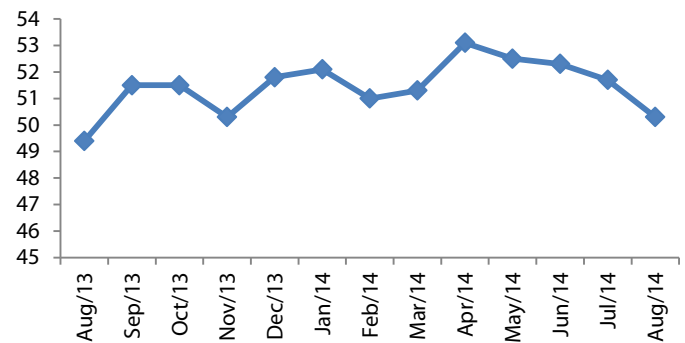
Sources: GSO. Rongviet Securities database

**Graph 3: Monthly CPI**



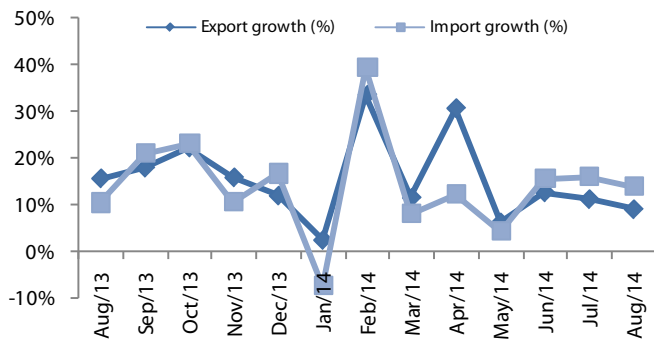
Sources: GSO. Rongviet Securities database

**Graph 4: HSBC - PMI**



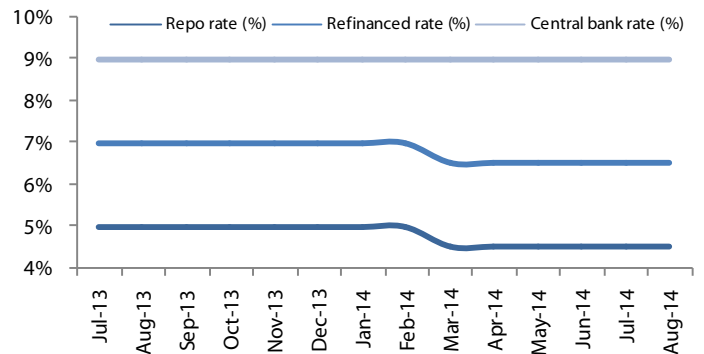
Sources: GSO. Rongviet Securities database

**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
HSG - The hard part has gradually done!	Aug 21 <sup>st</sup> . 2014	Accumulate – Intermediate term	48.100
HPG - On the way to dominate nationwide' market shares	Aug 12 <sup>th</sup> . 2014	Accumulated – Intermediate-term	66.400
NBB – A new chaater with co-investment	Jul 31 <sup>st</sup> . 2014	Buy – Intermediate term	27.400
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

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	19/08/2014	0-0.75%	0-2.5%	11,297	11,191	0.95%
VF1	21/08/2014	0.20% - 1.00%	0.50%-1.50%	22,541	22,289	1.13%
VF4	20/08/2014	0.20% - 1.00%	0.00%-1.50%	10,272	10,088	1.82%
VFA	22/08/2014	0.20% - 1.00%	0.00%-1.50%	7,644	7,571	0.97%
VFB	22/08/2014	0.30% - 0.60%	0.00%-1.00%	11,236	11,110	1.14%
ENF	15/08/2014	0.00% - 3.00%		10,309	10,255	0.53%

## ANALYSTS

### Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 314

[truc.dtt@vdsc.com.vn](mailto:truc.dtt@vdsc.com.vn)

### Thuy Nguyen

+ 84 8 6299 2006 | Ext: 317

[thuy.nt@vdsc.com.vn](mailto:thuy.nt@vdsc.com.vn)

### Ngoc Chung

+ 84 8 6299 2006 | Ext: 318

[ngoc.cb@vdsc.com.vn](mailto:ngoc.cb@vdsc.com.vn)

### Tai Nguyen

+ 84 8 6299 2006 | Ext: 315

[tai.ntp@vdsc.com.vn](mailto:tai.ntp@vdsc.com.vn)

### Ha My Tran

+ 84 8 6299 2006 | Ext: 348

[my.tth@vdsc.com.vn](mailto:my.tth@vdsc.com.vn)

### Lam Nguyen

+ 84 8 6299 2006 | Ext: 318

[lam.ntp@vdsc.com.vn](mailto:lam.ntp@vdsc.com.vn)

### Diem My Tran

+ 84 8 6299 2006 | Ext: 344

[my.ttd@vdsc.com.vn](mailto:my.ttd@vdsc.com.vn)

### Tam Bui

+ 84 8 6299 2006 | Ext: 348

[tam.bt@vdsc.com.vn](mailto:tam.bt@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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