

DECEMBER

19

FRIDAY

““Random relation” between Oil price and VNIndex- an old story?”

ADVISORY DIARY

- **VNM- 2014 At the bit stop**
- **“Random relation” between Oil price and VNIndex- an old story?**

VNM- 2014 At the bit stop

Today 19 December 2014, RongViet Research has published result update report on Vinamilk. VNM has long been known as Vietnam’s leading dairy manufacturer and always valued highly for its market position and operating efficiency over the years. Beside, VNM was among the few stocks whose long-term shareholders, throughout all market collapses, could still reap hefty profits regardless of the time of purchase. However, this year, the combination of the rising number of competitors and slowing growth has raised worries over the VNM’s well-being during the saturation phase of the dairy industry.

For now, VNM’s lion share in the dairy market remains the key advantage that help the Company maintains its overall operating efficiency. Given the firm’s intrinsic strengths, i.e. brand, distribution system and financial capacity..., we believe that the leading position of VNM is not easily shaken. However, an enormous breakthrough is not in the horizon for the next couple of years. Instead, VNM will witness steadied growth on its 4 business legs: condensed milk, powder milk, liquid milk and yogurt.

Upon analyzing the disadvantages and advantage as well as the strategies of VNM in each of its business segment, we realize that there are still plenty opportunities for VNM. In addition to the potential Vietnam market and the plans to expand herd size and develop international-quality products can help VNM maintain its market share. We highly expect VNM to acquire more shares in the powdered milk market from foreign brands and the liquid milk segment to grow at a faster pace once the herd is milked.

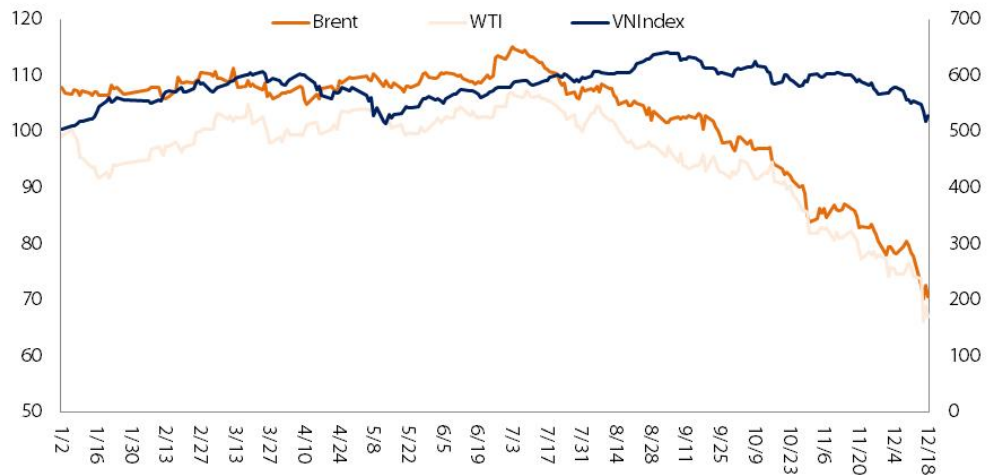
We see substantial growth potential for not only dairy industry, but also VNM; however, on the basis of reasonable prudence, we do need further evidence on the feasibility of VNM’s long-term strategy. Therefore, we rate the stock as **ACCUMULATE** in the **LONG TERM**. Our analyst also notices that price would be revised as provided by the latest information on market share competition in upcoming time.

“Random relation” between Oil price and VNIndex- an old story?

It is quite interesting to notice that Oil price and VNIndex witnessed a strong relationship in earlier one month. According to our statistics, oil price has dropped since July but had no effect on the movement in VNIndex. This relationship just showed clear when oil price plunging on November 17th. From that till now, oil price dropped by ~20% while VNIndex by ~12%.

This correlation randomly repeated this week. Brent crude oil price fell by 3% in the early morning and market was wallowed in red once again. However, we think this decline was due to psychological factor because the Oil&Gas shares still increased with GAS (+3%), PVD (+4,3%), PXS (+1,9%) while other industries decreased sharply. We suggest that the 10-points recovery at the day before was not enough to be a strong evidence for market’s solidity. Thus, prior to any encouraging signs may appear, the shake-off like today session is necessary.

Figure: The movement in the price of Brent and VNIndex from 1/1/2014 till now



Source: Bloomberg

Notably, on the last trading day of the ETF review, as usual, market liquidity increases significantly with a value of 4,138 billion, + 80% compared from yesterday. Most of the stocks, which were changed the proportion in the review period, are decreased including SSI, PVT, PVS, VCG. However, only IJC retained the green color. Especially, SSI (-4.9%) were bought strongly by ETF with a high volume (21 million shares), but the selling pressure from domestic investors made the closing price in red.

On the contrary with the remarkably net sold activity afterward the event of "Bien Dong", foreigners have still maintained their net bought status despite of considerable decline in the market. The accumulated value is only VND2,312 billion till now. Less than 2 weeks, 2014 is going to end with Vietnam stock market and the end-year point of VNIndex is still hotly debated. At some point, investors will become more familiar with the concern on oil price. Then, we need the newer and fresher story. Thus, we suppose that the VNIndex is not a big problem right now; the important thing is investors should consider the attractiveness of stocks based their intrinsic value. And probably the volatility of market and the bear market may create opportunities for accumulating stocks and restructuring our portfolios.

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WEEKLY TECHNICAL VIEW

VN-Index

VN-Index kept going down strongly, closed at 523.09 (-30.84 points or 5.57%). Trading volume rose 13.7% up to 623,5 million shares.

VN-Index broke down below its support at 545 easily. The decreasing only stopped when it met next support at around 510-515. The 545 threshold became resistance of VN-Index.

The support at around 510 is considered quite strong and is expected to be the turning point of VN-Index but at this moment we cannot assure that and should wait for more signals next week. Traders should watch for a continuing recovery to 545 areas or a move down to test the 510-515 support again.

Looking at technical indicators, the MACD remains bearish while the RSI looks oversold. The ADX indicator shows that the downtrend is still strong.



HNX-Index

HNX-Index lost 3.08 points (or 3.65%), closed at 81.32. Trading volume was almost equivalent to previous week with 285 million shares changed hands.

The support at around 84 was broken and HNX-Index fell to its next support at around 80 areas. The 84 threshold became HNX-Index's resistance.

Similar to VN-Index, HNX-Index is now moving right above its strong support but it seems early to talk about the trend reversal. We need to see more positive signals next week.

Looking at technical indicators, both the MACD and the RSI still look bearish. The ADX indicator keep rising, implies that the downtrend has not weakened yet.



Recommendation:

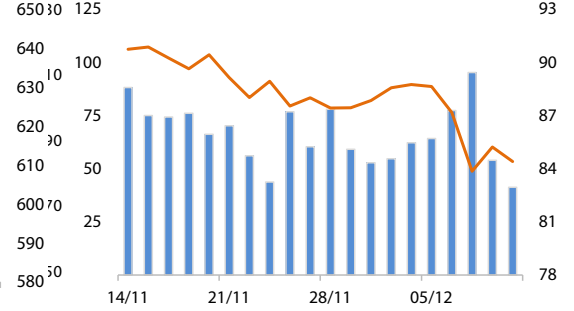
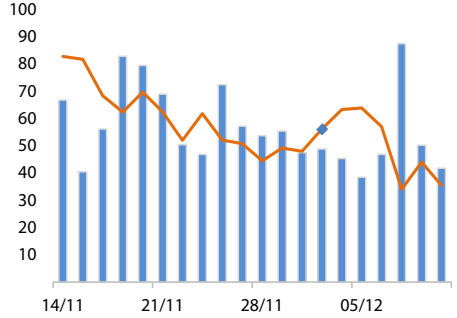
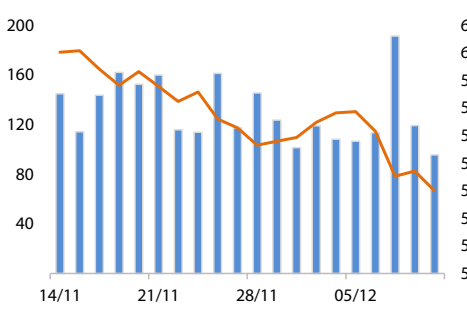
The two indexes fell strongly to next supports. Short-term traders temporary stay out and observe the markets while the long-term traders may accumulate stocks at low price for long-term goals.

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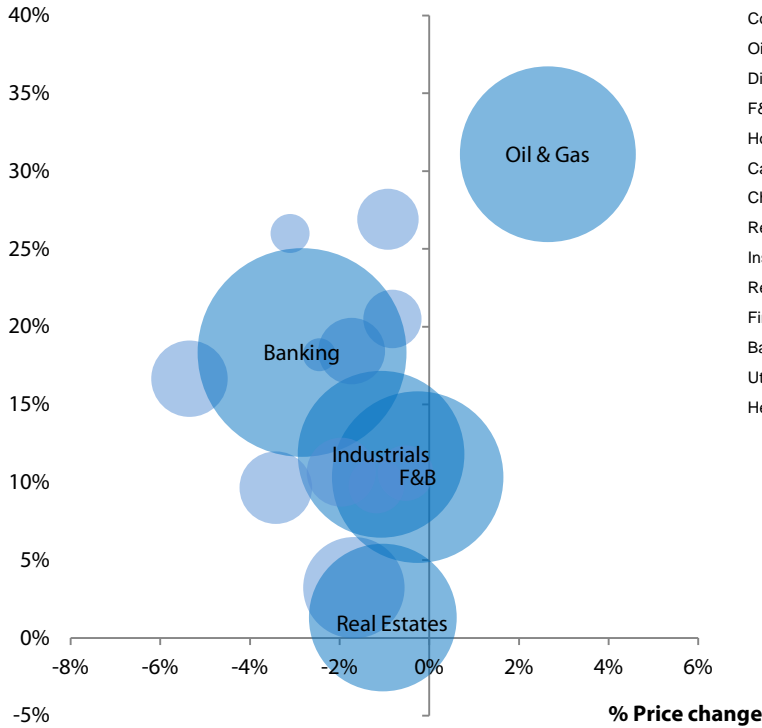
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VNINDEX -1.01% 523.09 VN30 -1.43% 570.61 HNXINDEX -1.67% 81.32



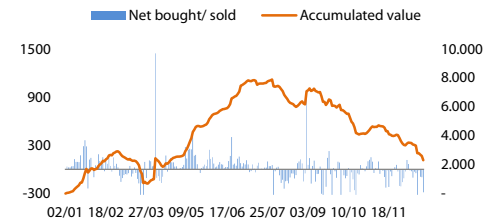
Industry Movement

Industry ROE

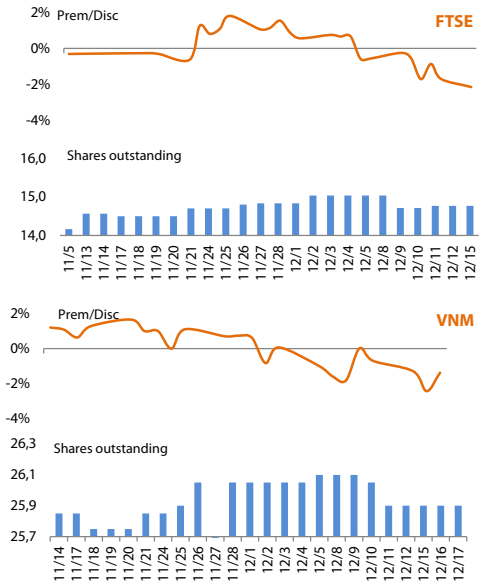


Industry	% change
Technologies	-0.8%
Industrials	-1.1%
Constructions	-1.7%
Oil & Gas	2.6%
Distribution	-2.5%
F&B	-0.3%
Household Goods	-1.2%
Cars & Parts	-3.1%
Chemicals	-1.7%
Resources	-0.9%
Insurances	-5.4%
Real Estates	-1.0%
Financials	-3.4%
Banking	-2.8%
Utilities	-2.0%
Healthcare	-0.5%

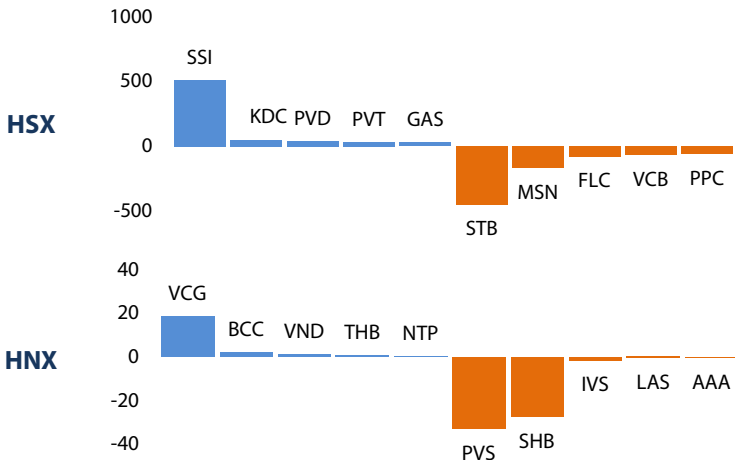
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



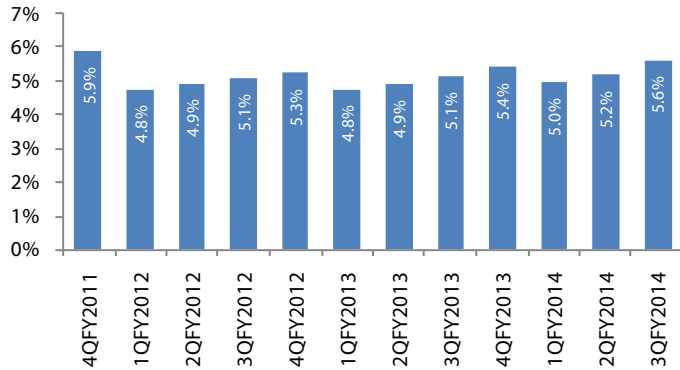
Top Active

Ticker	Price	Volume	% price change
STB	15.9	28.90	-0.6%
SSI	27.1	20.90	-4.9%
FLC	10.1	16.29	-5.6%
ITA	7.6	9.71	-5.0%
OGC	7.6	5.71	-5.0%

Ticker	Price	Volume	% price change
KLF	11.7	15.61	-9.3%
SHB	7.9	7.60	-3.7%
PVS	25.5	5.78	-2.3%
SCR	9.3	3.37	-3.1%
PVX	5.0	3.32	-7.4%

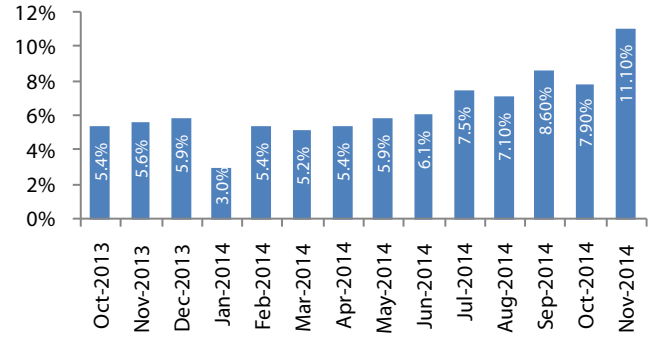
MACRO WATCH

Graph 1: GDP Growth



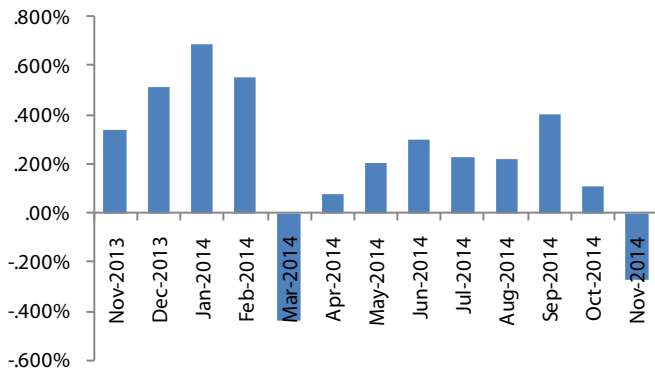
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



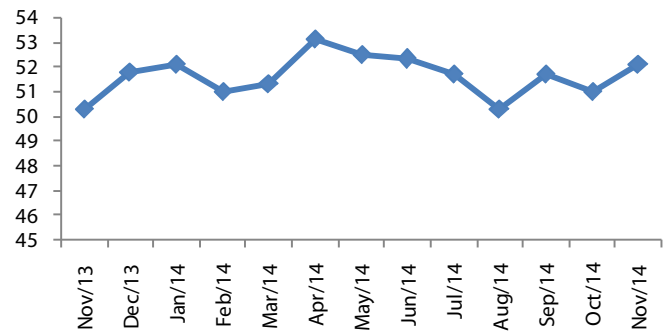
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



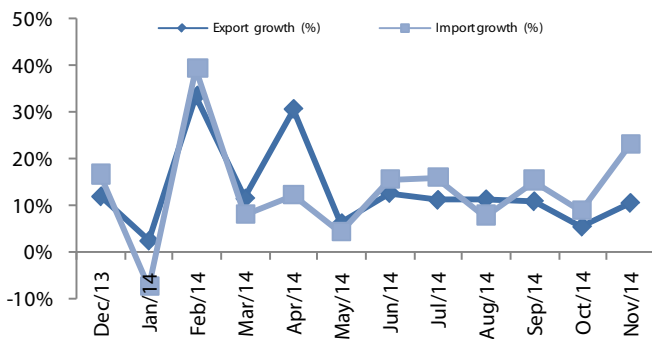
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



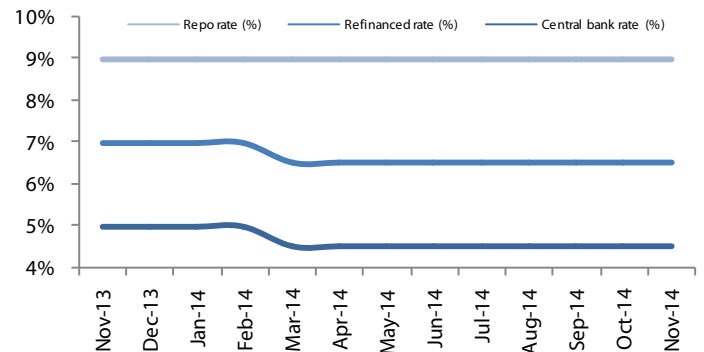
Sources: GSO. Rongviet Securities database

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
PCT – Restructuring	Dec 11 th , 2014	Monitor	
FPT - Growth driver expected from retails	Dec 3 rd , 2014	Accumulate – Long term	61,000
GDT - Still being on upward trend	Nov 27 th , 2014	Accumulate – Long term	41,300
PGS - 2015: A year of challenge	Nov 24 th , 2014	Neutral - Long term	37,800
NBB - A turning point with City Gate Towers	Nov 14 th , 2014	Buy - Long term	26,800

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	09/12/2014	0%-0.75%	0%-2.5%	11,378	11,576	-1.71 %
VEOF	09/12/2014	0%-0.75%	0%-2.5%	9,800	9,815	-0.15%
VF1	12/12/2014	0.2% - 1%	0.5%-1.5%	20,890	21,111	-1.05%
VF4	10/12/2014	0.2% - 1%	0%-1.5%	9,102	9,565	-4.84%
VFA	12/12/2014	0.2% - 1%	0%-1.5%	7,373	7,443	-0.95%
VFB	12/12/2014	0.3% - 0.6%	0%-1%	11,841	11,832	0.08 %
ENF	05/12/2014	0% - 3%	0%	10,889	10,807	0.76%
MBVF	04/12/2014	1%	0%-1%	11,135	11,060	0.68%
MBBF	10/12/2014	0%-0.5%	0%-1%	11,766	11,768	-0.02%

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