

*“Indices found support in key tickers”*

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- **Gloomy 5-month credit growth**
- **Bearish on cotton price, Vietnam textile and garments sector found relief**

#### **Indices found support from key tickers**

Today's trading were marked by liquidity steadying at a low level (182 million shares in both exchanges), accompanied with an overwhelming of losing stocks. Yet indices managed to stay on the up side for most of the trading time thanks to support from some of the largest-caps such as MSN, GAS, VIC, VNM, FPT and STB in the HSX and LAS, NTP and PGS in the HNX.

As and predictable outcome, selling pressure peaked in the middle of the afternoon session, plunging market gauges to their daily depths. No sooner had VNIndex reached 555, key tickers like VNM, CTG and VIC rebound, saving the index at a mere 0.2-percent gain. In the meantime, HNIndex ended lower 1.04% in the absence of the substantial large-cap bolster.

So, hardly had VNIndex reached beyond 550, the mark we have mentioned time and time over since the beginning of the week, when the market responded negatively. This urges us to maintain our opinion that day-traders should (if already have) begin to realize their profits, waiting for stronger retracements to open new positions. Meanwhile, intermediate-and-long-term investors, having accumulated good issues in previous, may stay around for higher profits targets.

#### **Gloomy 5-month credit growth**

By the latest announcement from the State Bank of Vietnam (“SBV”), credit grew 1.3% in the five month through May. According to the central bank’s representative, credit growth is usually low in the early months and rise towards the end of the year. Our macro analyst believes this happens as banks rush to meet their year-end quota.

Nevertheless, the growth rate is only half of what it was in 2013 (2.29%), suggesting a low demand to expand operations thus little motivation for companies to take out loans. Another possible reason is that, even though the deposit and lending interest rates have lowered by 0.5% – 1.5%, the lending rate remained out of reach of many small enterprises and the rate of previous loans have not been adjusted down to match the market rate.

According to the SBV, in the context of low inflation, lending interest rate could further decline by 1% - 2% in the future. However, if credit growth does not see a positive impact through this reduction, it will become even more problematic. This issue requires continuously monitoring in the upcoming future.

#### **Bearish on cotton price, Vietnam textile and garments sector found relief**

World cotton prices have been witnessed to move in contradicting directions since the beginning of the year. While prices in markets such as India, Pakistan and the US constantly increased from November through March then retraced in April, prices in China dived deep in the first quarter from \$1.45/lbs in February to \$1.3/lbs in May.

Since early 2014, predictions were that cotton would become cheaper throughout the year due to grim outlook for the manufacturing growth of China, the world’s largest cotton user. According to the International Cotton Advisory Committee, China’s cotton reserve at the beginning of 2014 stood at 12.8 million tons, over half of the world’s stock and lower demand may cause the country to dump up to 200,000 tons of high-quality cotton into the market each week. Shrinkage of supply in India

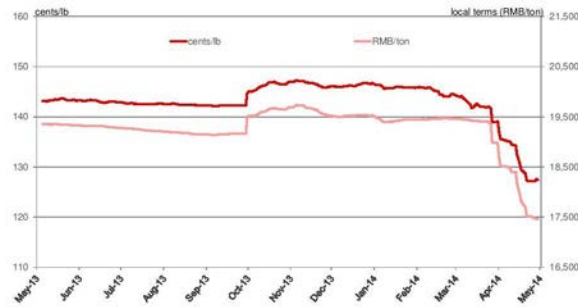
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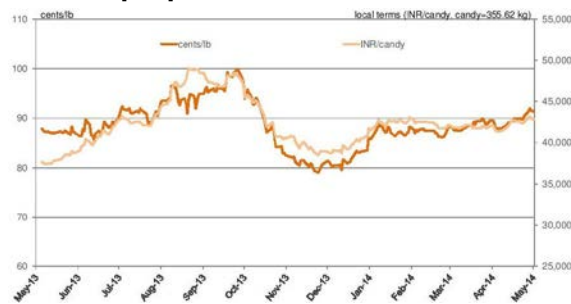
and Australia as the result of El Nino development and sluggish global demand growth may not push cotton price too far now that worries over China's liquidating its inventory still reigns.

**Exhibit 01: 1-year China Cotton Index (05/2013-05/2014)**



Sources: <http://www.cottoninc.com>, Rong Viet Securities

**Exhibit 02: 1-year India cotton spot price (05/2013-05/2014)**



Sources: <http://www.cottoninc.com>, Rong Viet Securities

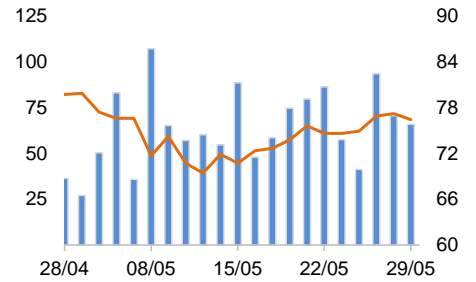
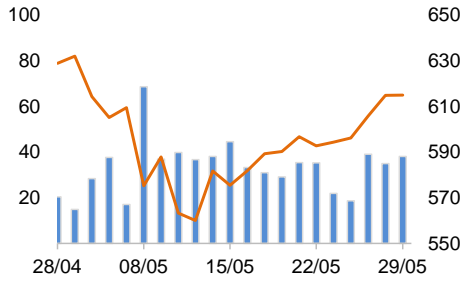
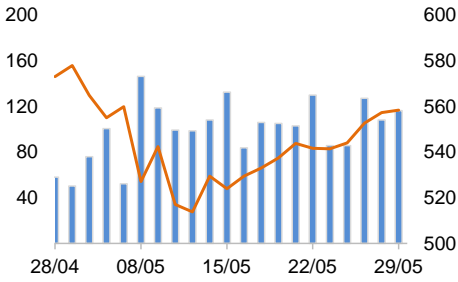
The question is: where do we go from here? For Vietnam, the first to feel the impact of the decline in cotton price are textile and apparels producers who with yarn lines such as TCM (HSX) and DMH (Upcom). TCM, for instance, makes 35-40% of its annual revenue from yarns sales. The Company posted a mere 2% of gross profit margin for this segment at the peak of cotton price in 2012 but expects to realize a margin between 7-10% this year on the forecast that cotton price will remain in the current trend.

On the other hand, Vietnam imports mostly fabrics, fibers among other materials instead of cotton textile and garments production. Therefore, in the near-term, only a handful of producers would probably benefit directly from the decline of cotton price. However, it is just a matter of time before the fabric prices follow the trend; then higher margins will be enjoyed by the entire sector.

**VNINDEX** +0.20% **558.45**

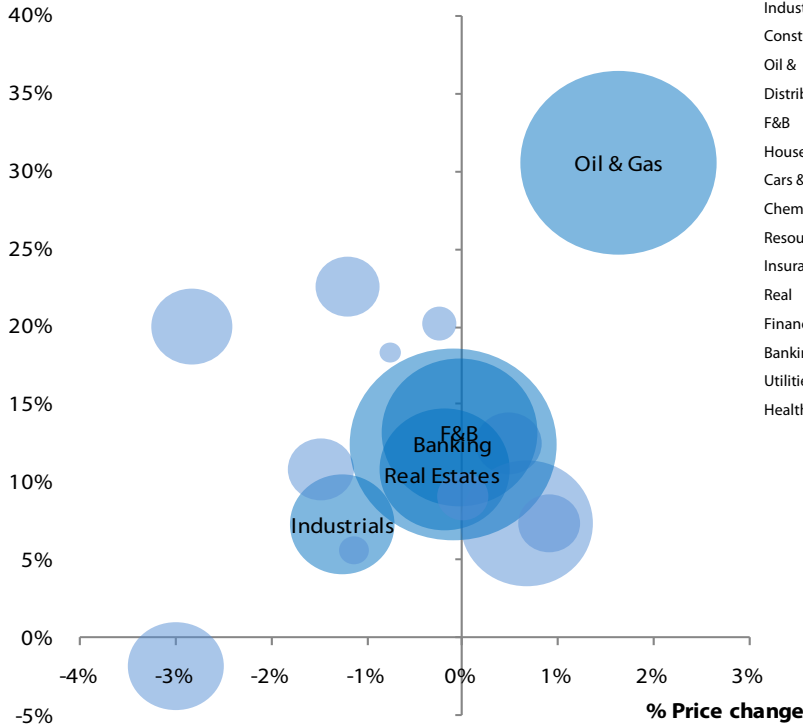
**VN30** +0.02% **615.01**

**HNXINDEX** -1.04% **76.38**

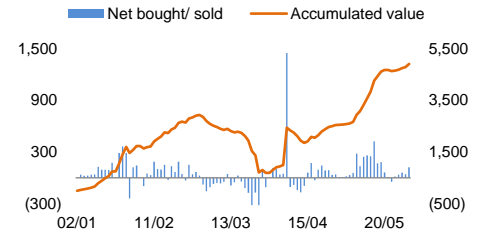


**Industry Movement**

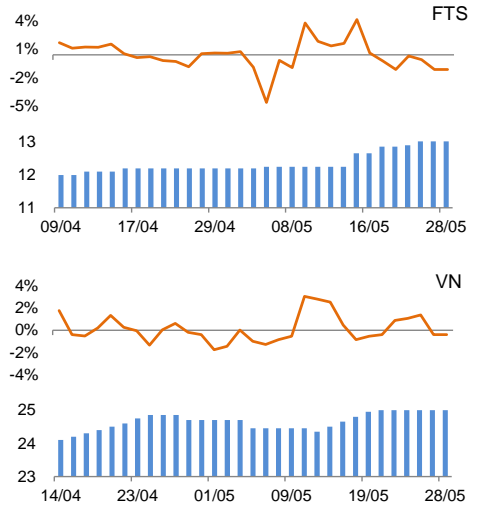
**Industry ROE**



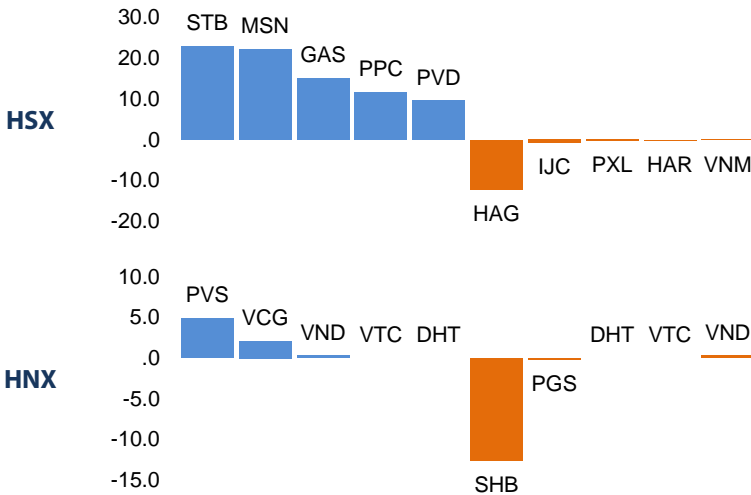
**Foreign Investors Trading**



**ETF**



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



**Top Active**

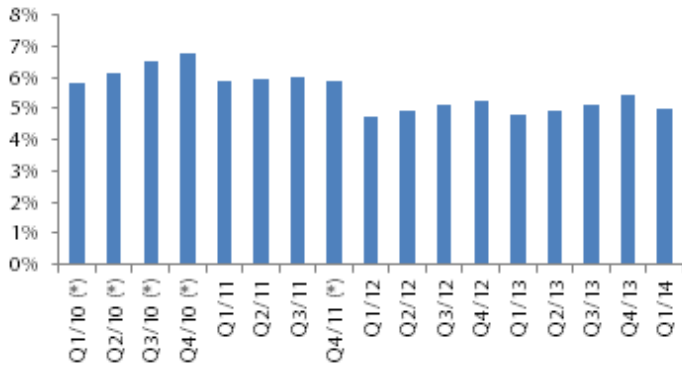
Ticker	Price	Volume	% price change
FLC	11.20	20.21	0.0%
ITA	8.00	5.45	-3.6%
HQC	6.90	4.70	-4.2%
SSI	24.10	4.12	-2.0%
STB	20.40	3.77	-2.0%

Ticker	Price	Volume	% price change
PVX	5.10	9.35	0.1%
SCR	8.60	7.05	-1.0%
SHB	9.10	6.88	-0.9%
KLS	11.50	5.30	-1.6%
SHS	8.50	4.31	-3.1%

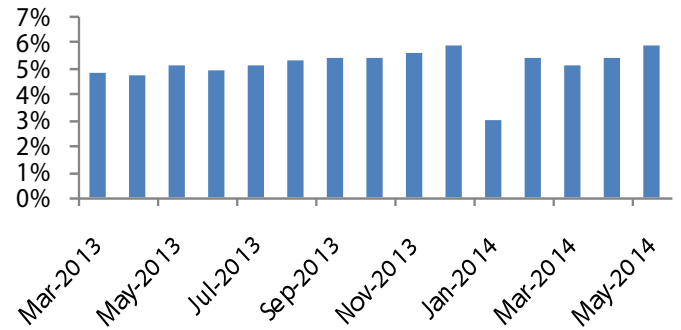
**MACRO WATCH**

**Graph 1: GDP Growth**



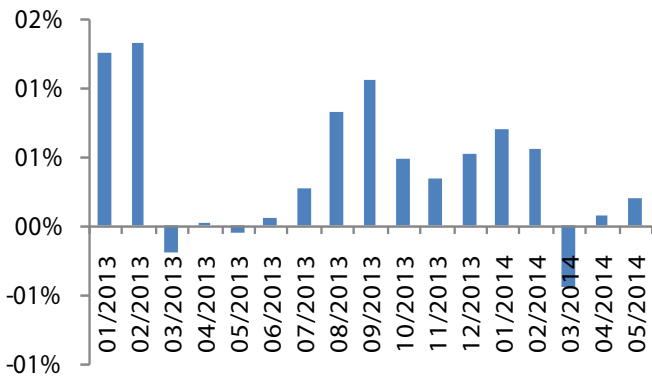
Sources: GSO, Rongviet Securities database  
(\* ) Comparision price in 1994

**Graph 2: IIP**



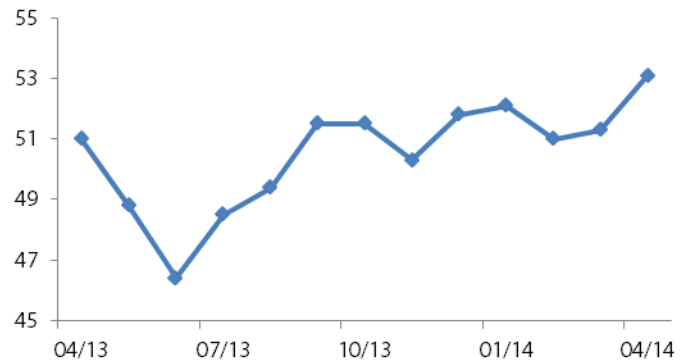
Sources: GSO, Rongviet Securities database

**Graph 3: Monthly CPI**



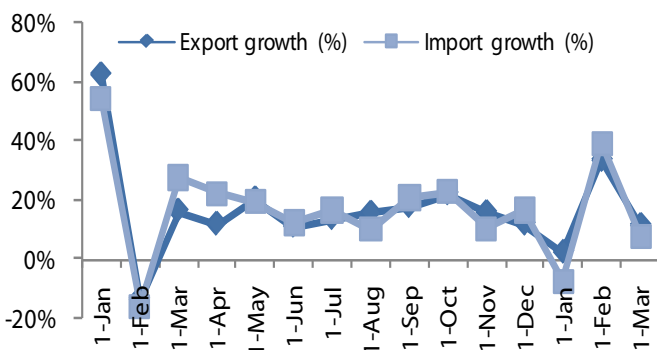
Sources: GSO, Rongviet Securities database

**Graph 4: HSBC - PMI**



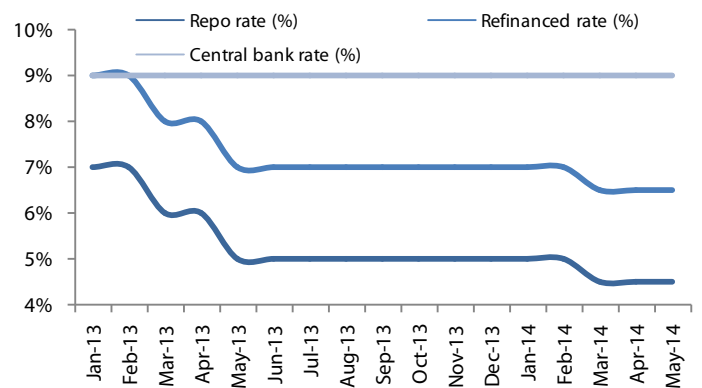
Sources: GSO, Rongviet Securities database

**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
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
CSM-Radial and long-term growth	April 4 <sup>th</sup> , 2014	Neutral – Intermediate-term	46,700

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	20/05/2014	0.75%	0.75%	10,688	10,337	3.40%
VF1	22/05/2014	0.20% - 1.00%	0.50%-1.50%	20,387	19,816	2.88%
VF4	21/05/2014	1.00%	0.00%-1.50%	8,997	8,584	4.82%
VFA	23/05/2014	0.20% - 1.00%	0.00%-1.50%	7,349	7,342	0.08%
VFB	23/05/2014	0.30% - 0.60%	0.00%-1.00%	10,764	10,784	-0.19%
ENF	16/05/2014	0.00% - 3.00%		9,358	9,414	-0.59%

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