

**JANUARY**

**09**

**FRIDAY**

**ADVISORY DIARY**

- **Oil drops below USD 50/barrel- What happens for Vietnam economy?**
- **“Exploded”!!!**

**Oil drops below USD50/barrel- What happens for Vietnam economy?**

In the first week of 2015, the market received news of world oil prices plunging below USD50/barrel. Looking back over 30 years, world oil prices had totally 07 drastic falls, of which the smallest decline was ~ 35 % and the most significant one took place in 1986 with ~ 60 % reduction. For Vietnam, we observed the similar changes in oil prices this time as of 2008. Therefore, Rongviet research conducted a statistics gathering to help visualize the impacts of past oil prices movements on Vietnam economy at that time.

In 2008’s world oil prices decline, although indicators such as GDP growth and industrial production (especially crude oil exploitation activities) posted less optimistic pictures due to economic recession, other economic indicators still showed positive improvement in 2009. Domestic petrol prices at that time, reflected in CPI, also recorded a corresponding fall as oil price decline about ~24.14% in 2009. Thus, inflation in this period also decreased sharply approximately ~ 6.88% in 2009 (compared with an increase of ~ 22.97 % in 2008). Besides, other macro factors like budget deficit, trade balance and government debt/GDP of Vietnam all witnessed positive improvements after the sharp fall in oil prices. However, the difference between now and then lies at the fact that 2009 was the first year after the government introducing stimulus package worth ~VND 150,000 billion, with interest rate policy of ~ 4 % . Meanwhile, in 2015, we could expect a further decrease in interest rate but not at the same degree seen in 2009.

*“Exploded”!!!*

**Table: Comparing macro-economic indicators in 2008 and 2014.**

Year	Oil drop in 2008			Oil drop in 2014		
	2007	2008	2009	2013	2014	2015
<b>Change in oil price (yoy) (%)</b>	71.12	-55.23	71.26	5.69	-44.18	
<b>Change in gasoline price (yoy) (%)</b>	28.71	-24.14	45.00	-1.38	-26.15	
<b>CPI (%)</b>	12.45	22.97	6.88	6.60	4.09	
<b>GDP growth (%)</b>	8.30	6.31	5.32	5.42	5.98	
<b>Government Debt/GDP (%)</b>	34.8	36	31.9	49.95	54.98	
<b>Government Budget Deficit/GDP (%)</b>	1.3	-4.6	-3.1	-6.9	-7.1	
<b>Balance Trade (USD billion)</b>	-12.4	-17.19	-12.85	0.29	1.73	
<b>Consumer Consumption growth (%)</b>	11.40	6.50	11.00	5.50	6.30	<b>?</b>
<b>Industrial production growth (%)</b>	17.10	14.60	7.60	5.90	7.60	
<b>Industrial production for oil (yoy) (%)</b>	-7.80	-6.60	9.80	-0.20	1.80	
<b>Change in VNIndex (%)</b>	23.31	-65.95	56.76	20.6	8.1	
<b>VNIndex’s EPS</b>	38.21	23.58	40.84	41.12	41.28	
<b>VNIndex’s Gross profit margin (%)</b>	16.16	16.39	19	18.24	17.92	
<b>Vnindex’s Profit margin (%)</b>	11.02	6.63	11.83	9.88	9.1	

Source: GSO, RongViet Research

In terms of business operations, the declining trend in oil prices also influenced stock prices’ performance and business profitability. According to statistics, the fall in oil prices helped improve indicators such as EPS, gross and net margin of VNINDEX in 2008-2010. Accordingly, VNINDEX’s EPS in 2009 increased 73.2% y-o-y. Another highlight was that , while gross profit margin of VnIndex in 2009 posted only 19 % compared with 16.16% in 2008 , net profit margin of

the index surged to 11.83 % compared to the 6 , 63 % in 2008.

Back to the present, the macro indicators in 2014 has been shown the positive outlook for Vietnam's economy in 2015. In the last months of 2014, the inflation also recorded a deflation in few months. Besides, domestic gasoline prices, which fell sharply in recent days, also imply a low CPI in Jan 2015. This makes the real income of consumer increases. Thereby, it also supports the growth of domestic consumption this year.

In terms of individual firms, oil prices are not a bright spot for the earnings of all businesses. In our opinion, this will be reflected in Q4 2014 earnings that will be announced. Earnings picture would be mixed: (1) less positive earnings for the oil & gas exploration business and the supporting business; (2) positive to the company which is benefit from lower oil prices (reduced input costs, freight costs,...).

However, according to Goldman Sachs, the drop in oil prices was mainly influenced by supply factors rather than market-related economic downturn took place in 2008. Currently, the decline in oil prices still no signs of slowing down. Therefore, it would be unlikely to increase in the short term. Fear of falling in oil prices could negatively affect the economy of Vietnam; however, looking at the history, the answer to the prospects of the economy this year is totally bright.

**“Exploded”!!!**

Starting a new year with quite low speed, the stock market made many investors doubt that whether this Lunar New Year will be bullish as the previous years. In our statistics, in the three latest years, VNIndex was always growing in the first quarter, of which the highest growth rate happened in 2013 (29.5%) and the lowest one was in 2012 (16%). Therefore, the booming of today's session might be the expectation of a lot of investors.

Thanks to some supportive information, the three leading stocks, i.e. VCB, VNM and GAS were all traded excitedly than previous ones, thereby helped improve market sentiment. Some rumors relating to the merge of VCB and another bank were considered to be the main reason for why this stock was attracting a considerable cash flow. For GAS, the dominator of gas industry, after the official information about the Company is going to repurchase 10 million shares as treasury shares, the stock price rapidly rose to ceiling during the whole afternoon session.

Opposite to the domestic investors, foreign investors today remained the same as compared to previous week. On HNX, they kept their net buying approximately VND 14 billion and net selling about VND 2 billion on HSX. In the whole week, they kept net selling VND 82.5 billion on HSX and net buying VND 54 billion on HNX. As mentioned in our recent Advisory Diaries, these foreign investors' actions are more unlikely to be a supportive factor for market.

In summary, there are many things that investors could be waiting, especially the 10<sup>th</sup> meeting of the Communist Party of Vietnam Central Committee (opened in Hanoi from January 5, 2015 to January 12, 2015). This event is crucial because it will make some important policies due to social economics decision in the 2016-2020 periods. Moreover, some rumors related to 4Q2014 earning results that is made known in coming days are expected to upgrade the market in coming trading sessions.

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**WEEKLY TECHNICAL VIEW**

**VN-Index**

VN-Index kept going up strongly, jumped 24.1 points (or 4.4%), and closed at 569.73. Trading volume also rose to 473 million shares. That liquidity was quite moderate, not too high, and not too low.

VN-Index cut above the 26-day moving average and the moving average also turned up. This was an important signal, marking a bullish reversal of VN-Index. The EMA (26) became the support of VN-Index (at around 550). The next resistance of VN-Index is around 580 where it will approach the 200-day moving average.

Looking at technical indicators, the MACD kept moving higher while the RSI increased sharply above 60. The ADX turned down, hinting that the intermediate-term correction is going to the end.

On weekly chart, a long white candlestick appeared on rising volume, showing that the buying forces overwhelmed the selling forces.

In a short-term, VN-Index is moving towards 580 area and is supported at 550.



**HNX-Index**

HNX-Index gained 2.67 points (or 3.2%), closed at 85.65. Totally about 245.5 million shares changed hands.

HNX-Index in turn cut above the 26, 200 and 50-day moving averages. HNX-Index also conquered the resistance at around 84. This resistance became a new support of HNX-Index.

Similar to VN-Index, the EMA (26) of HNX-Index stopped going down and turned up, marking a bullish reversal. HNX-Index is now moving towards the 87 area where it will meet the 100-day moving averages.

Looking at technical indicators, the MACD turned bullish while the RSI kept going up after forming a positive divergence. The ADX indicator turned down, showing that the downtrend is weakening while the uptrend is strengthening.

In a short-term, HNX-Index is moving towards 87 area and is supported at 84.



**Recommendation:**

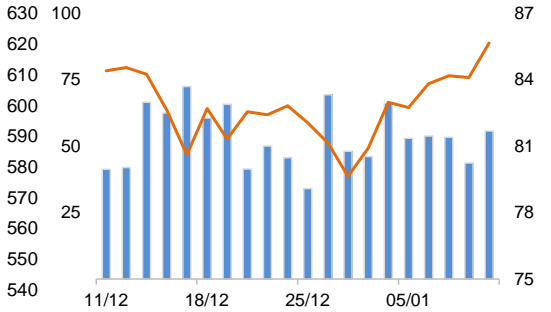
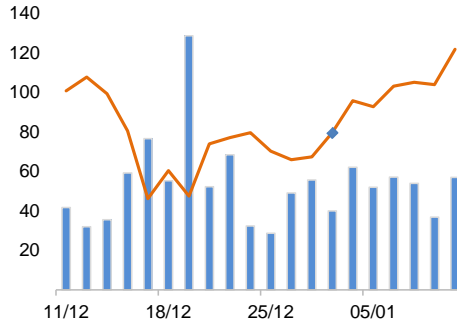
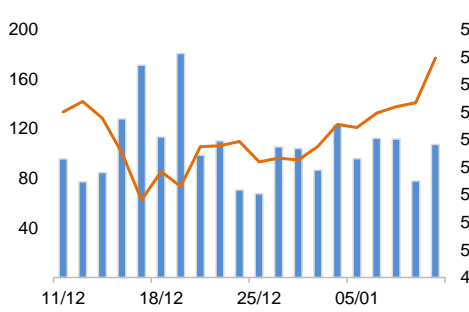
*The two indexes turned up strongly on rising volumes. Technical indicators supported a bullish reversal. Traders should keep disbursing at supports on corrective sessions.*

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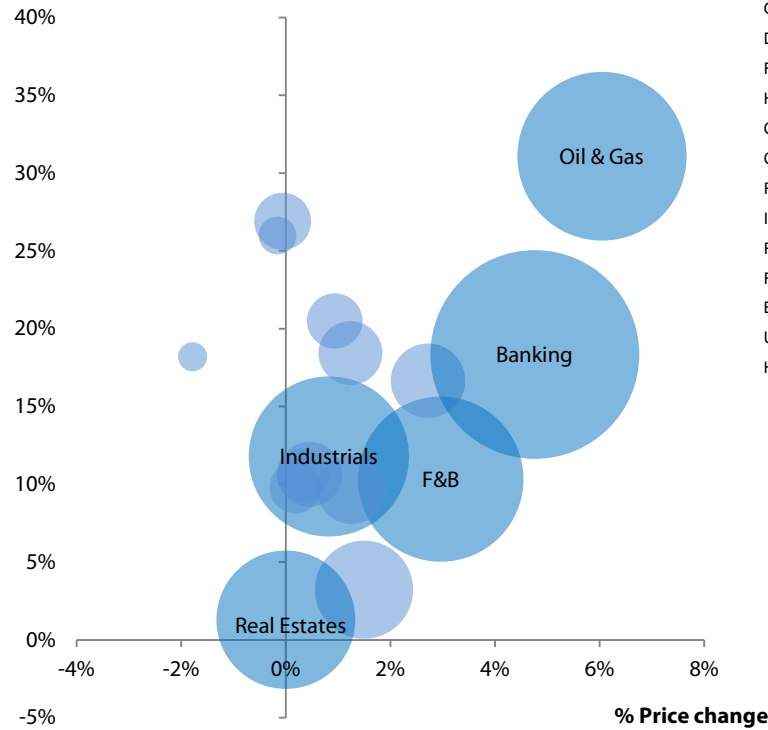
[khai.tq@vdsc.com.vn](mailto:khai.tq@vdsc.com.vn)

**VNINDEX 2.94% 569.73    VN30 1.90% 618.41    HNXINDEX 1.84% 85.65**



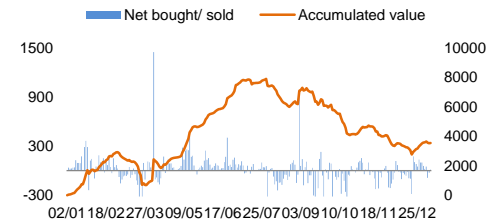
**Industry Movement**

**Industry ROE**

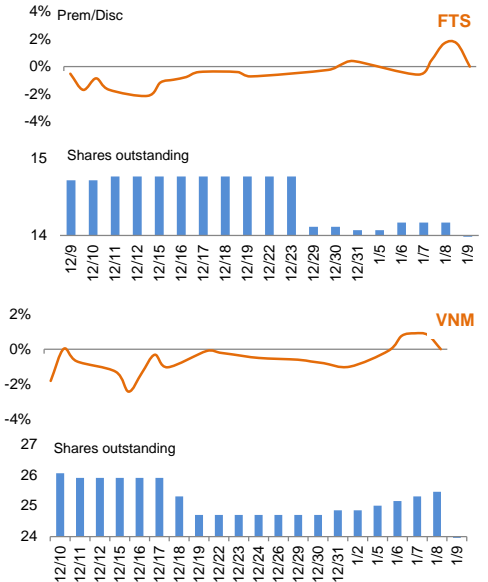


Technologies	0.9%
Industrials	0.8%
Constructions	1.5%
Oil & Gas	6.0%
Distribution	-1.8%
F&B	3.0%
Household Goods	0.2%
Cars & Parts	-0.2%
Chemicals	1.2%
Resources	-0.1%
Insurances	2.7%
Real Estates	0.0%
Financials	1.3%
Banking	4.8%
Utilities	0.5%
Healthcare	0.3%

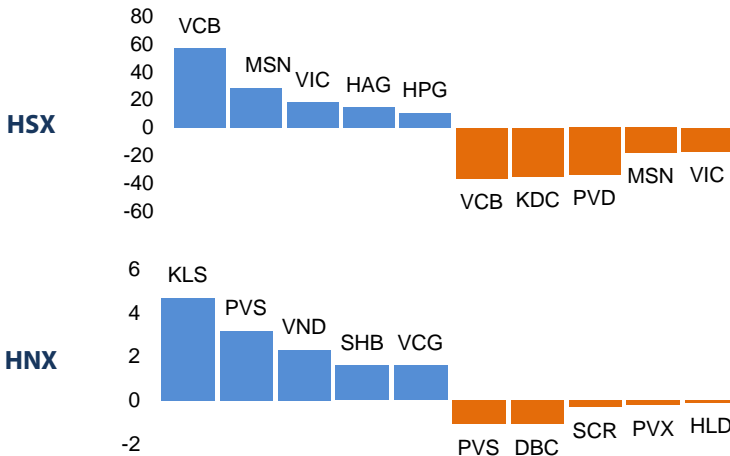
**Foreign Investors Trading**



**ETF**



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



**Top Active**

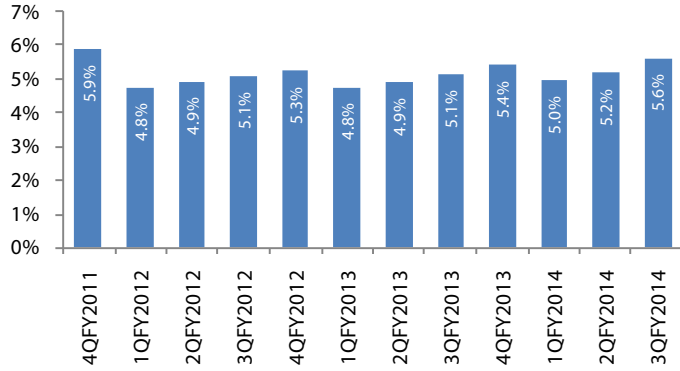
Ticker	Price	Volume	% price change
FLC	11.0	11.58	1.9%
ITA	8.1	8.27	2.5%
MBB	14.3	6.69	5.1%
VHG	12.6	3.57	0.8%
BID	14.5	3.29	6.6%

Ticker	Price	Volume	% price change
SHB	9.0	9.21	4.7%
KLF	11.1	8.58	1.8%
SCR	9.2	4.00	2.2%
PVS	27.5	3.73	5.4%
PVX	5.1	3.00	2.0%

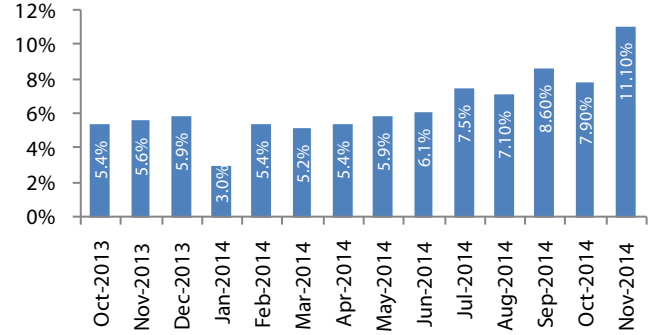
**MACRO WATCH**

**Graph 1: GDP Growth**



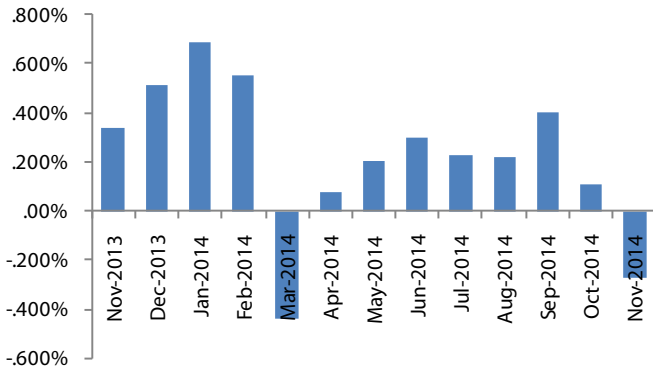
Sources: GSO. Rongviet Securities database  
(\* Comparison price in 1994)

**Graph 2: IIP**



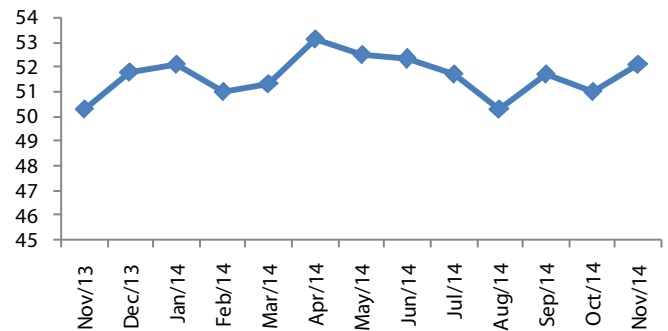
Sources: GSO. Rongviet Securities database

**Graph 3: Monthly CPI**



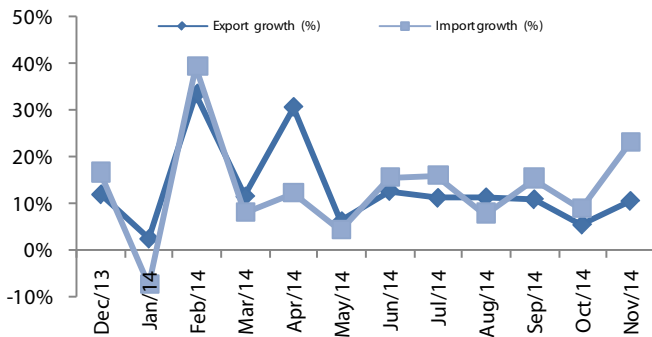
Sources: GSO. Rongviet Securities database

**Graph 4: HSBC - PMI**



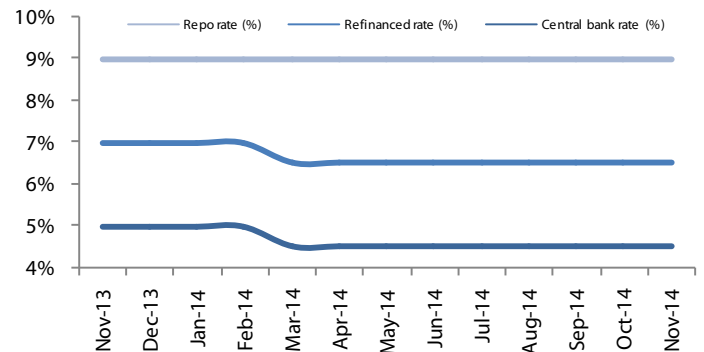
Sources: GSO. Rongviet Securities database

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