



2015 Q3

**SECTOR OUTLOOK**  
REPORT

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## I. STOCK MARKET AND SECTORS IN 2Q 2015

### 1. Stock market review in the Q2 2015

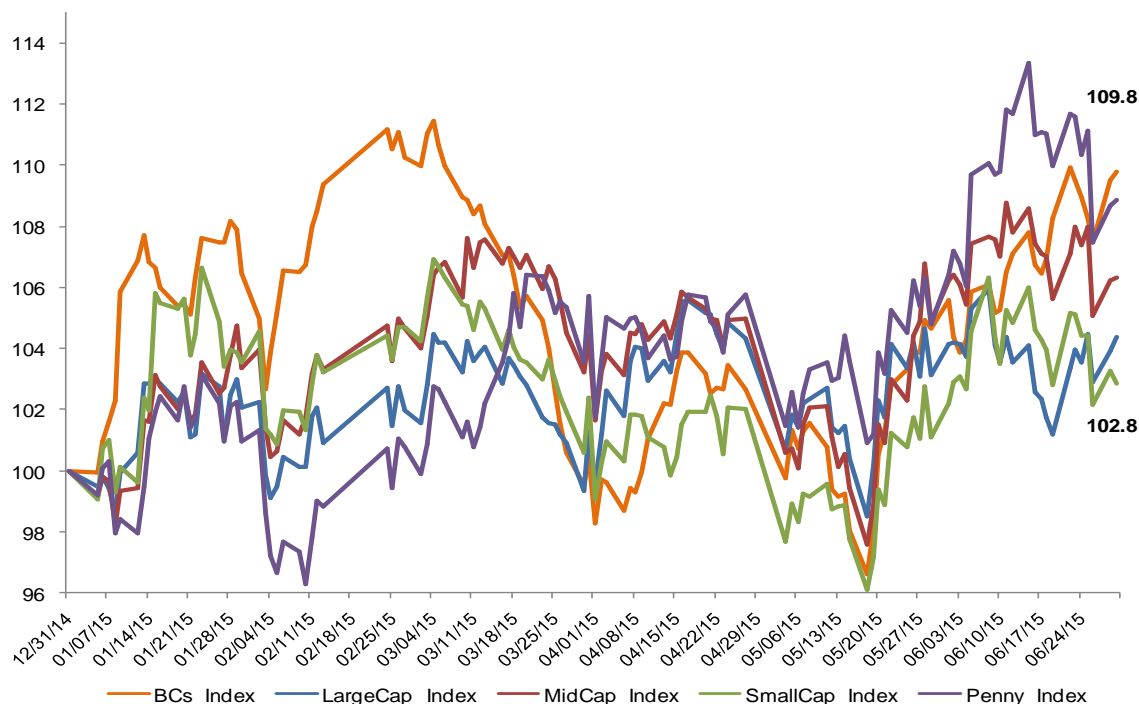
In our [2015 Sector Outlook Report](#) and Q1 Update Report, we made the following assessment: *"cash flow will shrink from both foreign and domestic investors" and "the stock market is forecasted to have high volatility and strong divergence among stock sectors in Q2 2015."* The stabilization and the positive transformation of Vietnam macro conditions continue to be the supporting platform for the market's uptrend. The positive news about loosening investment room for foreign investors and Vietnam joining bilateral free trade agreements were somewhat offset the negative impacts of Circular 36 issuance and the Greek crisis. We had a relatively accurate assessment about the market movements in Q2 in terms of: (1) market performance; (2) sector performance, (3) stock groups and (4) influential information.

**(1) Market performance:** On June 30<sup>th</sup>, VN-Index closed at 593.05 points, up 7.6% in Q2, and up 8.7% YTD. The market had ups and downs in April and May, followed by an increasing trend in June. As usual, foreign capital flows continued to be the driving force for the strong performance of VNIndex in Q2, focusing on large cap stocks in such sectors as Banks, Real Estate and stocks in ETF portfolios. We also have made a correct prediction about the domestic cashflow when the liquidity fell 14% compared with the same period. However, we didn't anticipate the positive impacts of the foreign cashflow, especially ETFs' capital in the second half of Q2. Overall, net buying volume of foreign investors decreased by 32% compared to Q2 2014. However, the figure in June increased strongly, despite the tendency to withdraw capital in other markets globally. Thanks to the buying activities of foreign investors, market performance in Q2 2015 has matched the assessment in our 2015 Macroeconomic and Stock Market Report: *"We believe that the first half of 2015 is an appropriate time to invest thanks to the strong market expectations and the foreign cash inflow (ETF)."*

**(2) Sector performance:** Our prediction was correct that the stock market in Q2 2015 experienced strong divergence among sectors. Besides the leading role of the Bank sector, some other sectors rated by BSC as "Positive" such as Construction Materials, Insurance, and IT have outperformed VNIndex. Sectors rated as "Neutral" or "Negative" didn't perform well, including Plastics, Natural Rubber, Pharmaceutical, Fisheries, Steel and Oil & Gas. However, Sugar industry has outperformed our expectation in Q2. A few sectors rated "Positive" didn't increase much compared to VNIndex such as Real Estate, Construction, Electricity, and Textile. Although the stock market rally, the divergence among sectors became obvious in Q2. The largest cap sector, Bank, had an average increase of 17.2% in May and June, which has made trading opportunities become more challenging since it required the correct selection of sectors having improved earnings and attracting cashflows at the same time.

**(3) Stock groups:** Blue-chips led the market growth and created the best returns in the first 6 months 2015. After nearly 3 months of underperforming VNIndex, blue-chips had a spectacular growth and outperformed the market in June. Overall, the group increased by 9.8%, followed Penny stocks, MidCap, and SmallCap LargeCap with the increase

respectively of 8.9%, 6.3%, 4.4% and 2.8%. The sharp growth and the leading position of Blue-chips have supported our opinion that this is the key group in 2015.



## 2. The policies and the most influential information review

In 2015, Vietnam stock market has encountered the convergence of several influential factors, including (1) changes in monetary policies of major countries, (2) Vietnam's monetary and fiscal policies, and (3) free trade agreements. The financial market has experienced strong volatilities with a series of major events such as: ECB implementing bond buying program since March, central banks around the world simultaneously performing interest rate cuts, the dollar strengthened against other currencies, the Fed meeting in March leading to the highest volatility of USD / EUR since the 2008 recession, the increasing tension between Russia and the United States, etc. All of these factors were mentioned in our [Sector Outlook 2015](#). Belowed are our updates on the effects of these major macro policies that have made an impact on the market Q2 2015:

- (1) **Point 3 Article 8 and point 1 Article 9 of Circular 02/2013/TT-NHNN – tightening debt classification:** effected on Jan 1<sup>st</sup>, 2015, these regulations will negatively impact businesses in short run since debt ratings were to be reassessed by CIC standards. However, in long run, standardized credit measures will help investors in identifying and comparing the financial capability among enterprises.

Furthermore, April 1<sup>st</sup>, 2015 marked the official end of the debt restructure mechanism, in which companie are allowed to restructure business debts without having to transfer debt groups. This policy, stated in Circular 09, Circular 02 Amendment, may increase banks' NPL ratio. The promotion of resale NPL to VAMC recently can be seen as a step to balance the effect. However,

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selling more debt means banks need more provision for special bonds, which affects their business results.

- (2) **VND/USD exchange rate has been maintained at high level.** After using up the allowed amplitude of 2% in 2015, VND/USD has returned to its supply-demand equilibrium. The belief that USD will appreciate on the international foreign exchange market has significantly impacted VND/USD exchanged rate, which resulted in increasing trade deficit and weakening VND's competitiveness against the currencies of competing countries (Thailand, China, Bangladesh, Philippines and Sri Lanka). However, the abundance of foreign capital inflow to Vietnam, and the State Bank of Vietnam's commitment to stabilize the exchange rate will be the main support for stability of VND/USD exchange rate in Q3 2015.
- (3) **Falling interest rates would be unlikely to happen despite the State bank's aim to decrease medium and long term interest rates.** The economy recovery and the exchange rate movements could be the factors temporarily influencing interest rates.
- (4) **Oil price rebound faced challenges from the increasing supply and the weakening demand.** The main cause of the weak demand was the concern about China's economic growth and Europe's weakening energy demand amid Grexit risk. Meanwhile, the supply is boosted with the comeback of the US oil extraction industry, and expected to rally if Iran and P5+1 nuclear countries reach a final agreement.
- (5) **The Fed is to raise interest rates, USD will appreciate.** US has maintained a steady growth in recent months. Furthermore, USD no longer at high value supports for short-term growth prospects. The favorable macroeconomic factors are the reasonable basis for the Fed to increase rates in the next FOMC meeting. We expect the rate increase to happen around Q4 / 2015.
- (6) **The Japan economy and Abenomics:** The Japan economy is weak despite recovery signs. The effectiveness of Abenomics was undermined by the fall in energy prices and the slowdown in domestic demand. BOJ maintains monetary easing policies, which keeps the yen's outlook quite negative in the medium term. We also found that South Korea can also make similar policies though not as aggressive as Japan. The devaluation of the yen and the won would have negative impacts fisheries stocks (shrimp industry) and positive impacts on PPC, BTP.
- (7) **Circular 36/2014/TT-NHNN - Investment cashflow shrunk:** The restriction in capital investment reduced the market liquidity and the investor demand. The policy especially affected the required equitization process of State Owned Enterprises. Furthermore, the Circular indirectly impacted the foreign capital since liquidity is one of the essential criteria that foreinger investors consider before make an investment decision in Vietnam. However, in long-term, the standardized mechanism for credit institutions will help stabilize the macro economy and attract investment cashflow.
- (8) **The free trade agreement South Korea - Vietnam (VKFTA) was official signed in early May 2015.** We assess that the agreement will have some greater impacts than the ASEAN FTA - South Korea. (1) Free trade in a variety of areas, including goods, services (telecommunications,

finance ...), intellectual property, measures for food safety and quarantine animals, origin rules, customs facilitation, trade remedies, technical barriers in trade ... (2) South Korea is to remove import duties on 96.48% of all products from Vietnam, and in return, Vietnam will do the same for 92.75% of all products imported from South Korea. In terms of tariffs, South Korea cuts 95.43%, while Vietnam removes 89.75% tariff amount. The commitment level is deeper and wider than the FTA ASEAN - South Korea effected in 2007, which only removed 87% import duties for Vietnam and 91% for South Korea.

The import-export structure complements each other, instead of direct competing. For the first time, South Korea opened the door for agro-fishery products such as garlic, ginger, honey, and shrimp. At the same time, South Korea cut tariffs for textiles and mechanics. Vietnam offers some preferential treatments to Korea with textile materials, plastic materials, electronic components, trucks and cars from 2500cc or more, auto parts, electrical appliances, iron and steel products, power cable ...

The agreement promotes growth for Vietnam's key export products such as seafood, textiles. Tax rates are cut to a deeper level than one in FTA Vietnam - Asean. In particular, Korea removed import taxes on shrimp from Vietnam with quotas of 15,000 tons, equivalent to about \$140 million. Additionally, South Korea is the main export market for Vietnam's garment enterprises. With VKFTA became official, the growth rate of textile exports from Vietnam to the South Korean is expected to remain at high level, increasing by 27% - 30% compared with 2014.

The FTA reduces the cost of imported auxiliary materials. Some industries of processing, manufacturing, apparel, footwear, etc. will benefit from the reduction of raw materials costs, which would reduce product costs, improve competitiveness of key export commodities and diminish the dependence on other sources.

- (9) Vietnam officially signed an FTA with Asian Economic Alliance - Europe (VCUFTA) in March 2015.** The Eurasian Economic Union includes Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan. Among these countries, Russia is the largest economy and will be a potential market for Vietnam: The Russian market has great consumption with a population of about 143 million people, a GDP of \$2,200 billion (ranked 7th in the world), the middle class growing strongly. Domestic production currently meets about 25% of demand, leaving a large room for imported products, especially for items such as textiles, footwear, seafood, and agricultural products. These industries are not Russia's focus, while they are strong export products of Vietnam. Seafood and Textiles sector stocks are benefiting from the VCUFTA. Currently, aquaculture accounts for approximately 6% of Vietnam's exports to Russia and would be the first industry to benefit from the 0% tax that would be applied as soon as the agreement takes effect. Compared to the current average tax rate of 18%, the aquaculture companies would have the opportunities to boost exports. Meanwhile, Fertilizers and Steel industries could suffer a negative impact from the agreement. For Fertilizer industry, Russia is the second largest fertilizer supplier of Vietnam (after China), with the value accounting for about 17% of Vietnam's total imports from Russia. In 2014, fertilizer imported from Russia has grown rapidly, reaching 373 thousand tons (+ 34.2%

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yoy), and valued at 138.3 million (+ 13.7% yoy). Given the current excess supply in Vietnam along with the adjustment of import tax to 0%, we expect an increasing competitive pressure for domestic fertilizer businesses.

**(10)Housing Law Amendments- actively supporting real estate sector:** we expect the Housing Law amendment effected on July 1<sup>st</sup> 2015 will have some positive impacts on the real estate sector. The loosened rules applied to foreigners to buy and own houses in Vietnam will open new demand from foreign investors into the real estate sector, which helps speed up sale process and boost number of house sold.



## New issues in Q2 2015

- (1) Decree 60/2015/ND-CP – Loosening investment room for foreign investors.** On June 26<sup>th</sup> 2015, Vietnam Government issued Decree No. 60/2015 / ND-CP amending and supplementing a number of articles in Decree No. 58/2012 / ND-CP. Notable content including: (1) loosening room (increasing the allowed percentage of ownership) for foreign investors to join Vietnam stock market; (2) remove restriction on foreign investors when investing in government bonds and corporate bonds; (3) shorten the time period that is required for equitized enterprises to register for trading on UPCoM or for listing.
- (2) Impacts from the strong decline of China's stock market:** The uptrend lasted for one year in China's stock market showed initial signs of collapse with a sharp decline of 35% since June 15<sup>th</sup>. The collapse was caused by the fact that the stock price rally without economic growth - China's GDP growth has been slowing down and stays at 7% this year. Besides, the participation of small investors on stock market, and their tendency to rely on psychology movements contributed to the unsustainable growth, followed by the sharp collapse in China's stock market. The decline in stock prices directly influenced the demand for goods in China, which results in the difficulties for China's economy recovery. The economy growth of China, therefore, could shrink further and could go into recession. The demand reduction in China also affects the export amount of other economies, with which China has been the main trading partner. As the second largest economy and most populous country in the world, China will significantly influence other economies. However in positive notes, the collapse of China's stock market could create an opportunity for Vietnam's stock market since the capital withdrawn from China will be transferred into new markets, in the context of Vietnam has emerging and catching a lot of attention of foreign institutional investors. Vietnam's macro economy is recovering strongly, with many reforms and changes to be more open for foreign investors. One of the new policies was to increase the allowed percentage of ownership for foreign investors as stated earlier.
- (3) China's economic growth has been slowing down:** GDP growth slows while inflation fell to a low level caused slowdown in China's economic development. The negative issues about bad debt, credit, especially real estate credit in the context of inventory backlog reaching a record high are raising difficulties for China's economic growth. Typically, the process of solving the above problems would take years. Therefore, we believe that China's economic prospects will continue to decelerate in 2015. Because China is the main importer of many commodities, the weakening of its economy will negatively impact these following industry in Vietnam: oil and gas, marine transportation, natural rubber ...
- (4) Uncertainties in the Eurozone.** Grexit is currently the leading topic of interest in Europe countries. Uncertainties about the Greek debt crisis, the conflict about economic measures between Greece and its creditors potentially put Eurozone's stability at risk. In short run, the EUR will fluctuate depending on the negotiations between Greece and its creditors.



## Influential policies and critical economic factors in 2015

No.	Policies and Macroeconomics Factors	Effective date	Influential status	Influential degree	Status till 30/06/2015
<b>Domestic Macroeconomics Policies</b>					
1	Housing Act amendments	1/7/2015	Positive	Very Strong	Affecting
2	State Bank's Circular no. 32/2014/TT_NHNN to accelerate the disbursement of the 30 trillion	25/11/2014	Positive	Average	Not Affecting
3	Law on Public Investment no. 49/2014/QH2013	1/1/2015	Positive	Strong	Not Affecting
4	Circular No. 36/2014/TT-NHNN	1/2/2015	Negative	Very Strong	Greatly Affected
5	Paragraph 3 Article 8 and paragraph 1 Article 9 of the Circular no. TT02/2013/TT-NHNN (delayed by the Circular no. TT09/2014/TT-	1/1/2015	Negative	Strong	Not Affecting
6	Controlling the VND/USD exchange rate		Positive	Strong	Affecting
7	Orientation to cut lending interest rate by 1% - 1,5%	2015	Positive	Very Strong	Not Yet Affecting
8	Increasing Public investment in Infrastructure		Positive	Strong	Not Yet Affecting
9	Accelerating the corporatization of state-owned businesses		Neutral	Average	Not Yet Affecting
10	Increasing GDP, FDI, PMI, ODA, remittance, credit growth, export-import		Positive	Average	Affecting
11	Decree no. 60 – open foreign investor ownership limitation	1/9/2015	Positive	Very Strong	Affecting
12	Investment Law	1/7/2015	Positive	Average	Affecting
<b>International Macroeconomics Policies</b>					
1	FED to raise interest rates, USD to appreciate		Negative	Very Strong	Greatly Affecting
2	ECB monthly meeting (EUR depreciation)		Positive	Strong	Affecting
3	Japan's Abenomics policy (JPY depreciation)		Positive	Strong	Affecting
4	Negative news from Russia (RUB depreciation, economic isolation ...)		Negative	Strong	Affected
5	Chinese stock market bubble and economy to slow down		Negative	Very Strong	Affecting
6	Falling oil price	Negative in short term	Positive in long term	Very Strong	Greatly Affecting
<b>Free Trade Agreements</b>					
1	ACFTA – Circular no. 166/2014/TT-BTC	1/1/2015	Neutral	Strong	Affected
2	FTA Vietnam – Custom Union	5/2015	Positive	Average	Concluded
3	FTA Vietnam – Korea	5/2015	Positive	Average	Concluded
4	TPP Agreement	2015E	Positive	Strong	In negotiation
5	FTA Vietnam - EU	2015	Positive	Strong	In negotiation

(Source: BSC)

### 3. Recommended stocks Portfolio

We believed that “2015 will not be easy on the stock market...”, as stock market witnessed many increase movements in the first quarter but then these exact stocks fell sharply in the second quarter due to macroeconomic factors, business results and investors’ behavior. In the 2015 Outlook Sector Report, we believed that Banking would be the leading VNIndex sector and in fact, it was. 04 recommended Banking stocks achieved an average growth rate of 48,52% in 6 months, including VCB with an increase of 56,41% and replaced GAS as the biggest market capital stock.

Among the recommended stocks, several stocks achieved 50% growth rate as compared to the closing price on 31/12/2014, namely VCB, BID, DXG and CMG. Moreover, the majority of stocks with over 20% growth rate were in Banking, Real Estate, Construction, Cement and Technology sectors, which we assumed Positive rating at the beginning of the year.

Neutral or Negative rating sectors Stocks mostly under performed Indexes, only a few stocks in Sugar sector bounced back in the second quarter.

#### Recommended stocks in 2015 (updated)

	Rev14 (bil dong)	EAT14 (bil dong)	Rev15 (bil dong)	EAT15 (bil dong)	EPS 2015	PE FW	PB FW	Closing price 31/12/14	Closing price 31/03/15	Closing price 30/06/15	Change	Target price
<b>VCB*</b>		5,876		5,499	2,063	23.65	2.94	31,200	34,400	48,800	56.41%	61,900
<b>BID*</b>		4,948		5,724	2,036	10.36	1.78	12,000	16,600	21,100	75.83%	27,800
<b>CTG*</b>		5,712		5,690	1,528	12.57	1.3	13,100	16,500	19,200	46.56%	23,000
<b>MBB</b>		2,476		2,554	2,070	7.29	1.05	13,100	13,700	15,100	15.27%	16,600
<b>ACB*</b>		952		1,014	1,131	18.13	1.48	14,800	16,000	20,500	38.51%	24,600
<b>VIC*</b>	27,727	3,776	35,671	4,649	3,196	14.00	5.41	47,700	47,000	43,500	14.78%	53,000
<b>DXG*</b>	523	168	716	258	2,562	6.50	2.47	14,000	17,000	16,300	36.97%	17,000
<b>KBC</b>	1,069	326	2,182	615	1,293	12.92	1.12	15,900	16,000	15,500	-2.52%	20,400
<b>KDH</b>	631	102	1,252	202	1,600	14.06	1.22	20,200	21,900	21,700	7.43%	25,100
<b>LCG</b>	1,266	-12	1,467	45	593	13.5	0.62	8,500	7,000	8,000	-5.88%	11,400
<b>HUT*</b>	2,762	259	2,316	145	1,129	10.36	1.04	14,200	15,500	11,700	-7.87%	13,551
<b>HBC</b>	3,518	69	5,300	180	2,414	9.94	1.64	14,800	17,900	24,000	62.16%	26,549
<b>CII*</b>	2,606	388	3,145	462	2,366	10.02	1.15	20,300	18,500	23,700	24.74%	28,388
<b>BCC</b>	4,336	162	4,700	263	2,757	5.44	0.84	14,900	18,300	15,000	0.67%	20,254
<b>HT1</b>	6,758	309	7,363	619	1,949	11.7	1.67	17,400	20,700	22,800	31.03%	24,939
<b>BTS</b>	2,930	122	2,901	111	1,016	9.35	0.86	7,600	10,100	9,500	25.00%	10,665
<b>NT2</b>	7,065	1,591	6,811	850	3,319	6.93	1.26	20,900	24,300	23,000	17%	29,070
<b>SHP*</b>	596	216	632	226	2,417	7.45	1.31	20,500	19,000	18,000	-5%	20,600
<b>DRC*</b>	3,251	353	3,565	395	4,012	13.21	2.93	48,500	52,400	53,000	9.29%	56,400
<b>CSM</b>	3,178	331	3,437	312	3,853	10.12	1.78	43,000	40,300	39,000	-9.30%	44,100
<b>TCM*</b>	2,594	168	2,675	173	4,110	8.3	2.06	32,000	32,000	34,100	8.60%	39,600
<b>TNG*</b>	1,382	53	1,722	75	3,899	7.5	1.3	19,500	23,300	25,200	33.33%	29,400
<b>STK</b>	1,457	106	1,722	117	2,778	6.5	1.08					24,900
<b>FPT*</b>	32,645	2,079	39,600	2,359	4,682	9.91	2.14	48,000	48,400	46,400	13.45%	56,186
<b>CMG</b>	3,265	118	3,093	155	1,800	8.67	1.31	8,900	11,300	15,600	75.28%	15,668

ITD	448	20	540	33	1,795	9.67	1.14	9,300	12,800	19,000	104.30%	17,357
HIG	503	5	575	11	506	14.22	0.42	4,600	5,100	7,200	56.52%	7,592
BMP*	2416	377	2,657	434	9,546	8.17	1.94	70,500	75,800	78,000	10.64%	83,800
NTP*	2998	325	3,399	376	6,682	6.73	1.72	47,100	45,000	45,000	-4.46%	54,100
TRA	1,650	146	1,860	190	7,700	10.65	2.69	73,000	74,000	82,000	16.81%	86,000
IMP	897	86	1,050	130	4,492	10.13	1.45	41,800	46,300	45,500	13.47%	50,000
NKG	5,835	76	7,642	117	2,717	5.12	0.96	13,400	14,700	15,000	3.73%	19,105
HSG*	14,990	410	16,500	450	4,465	9.52	1.56	47,500	33,800	42,500	-7.21%	46,879
HPG*	25,525	3,250	22,500	2,300	3,117	9.27	1.56	53,000	44,100	28,900	-16.23%	31,170
VHC*	6,200	445	7,130	463	4,983	7.8	2.2	37,900	37,700	38,600	1.90%	44,850
FMC*	2,862	51	3,600	77	3,870	6.1	1.8	22,800	25,900	23,100	7.94%	30,960
PVS	31,373	1,765	28,227	1,466	3,163	8.5	1.13	26,900	22,600	26,900	0%	30,498
PVB*	1,001	147	1,058	115	5,347	7.55	1.74	44,000	33,100	40,400	-8%	48,120
PVD	20,813	2,498	18,534	2,296	7,160	7.33	1.32	64,500	44,800	52,500	-19%	64,210
PGS	7,484	191	6,519	223	2,907	7.46	0.89	26,900	19,400	21,700	-19%	24,829
CNG	1,086	112	1,153	123	4,540	6.41	1.52	32,400	31,400	29,100	-10%	32,799
DPM	8,980	1,129	8,134	1,231	3,108	9.55	1.27	30,800	29,200	29,700	-4%	32,700
DPR*	1.002	213.5	667	127	2.953	11	0.6	38,000	34,500	31,900	-12.60%	
TRC*	596	139.4	474	42.5	1.417	18.2	0.51	28,400	26,200	25,200	-2.33%	
SBT	1,958	120	2,001	131.5	1,256	11.6	1.14	12,900	10,900	13,700	6.20%	N/A
LSS	1,738	46	1,884	81	1,164	8.5	0.45	9,500	8,300	10,400	9.47%	N/A
NHS	1,086	46	1,110	75	1,234	11.9	0.9	12,500	10,400	13,500	8.00%	N/A
VOS	2,275	70	2,172	1.2	N/A	N/A	0.7	6,200	5,300	3,700	-40%	N/A
VTO	1,526	52.7	1,567	54.2	688	10.3	0.5	8,200	7,400	7,100	-13%	N/A
PVT	5,265	337	5,400	290	1,133	11.6	1.07	14,000	12,700	13,200	-5.7%	N/A

Source: BSC forecasting

#### Ghi chú:

- (1) (\*) Stocks with adjusted closing price
- (2) Newly added stocks: FPT, CMG, ITD, HIG, ACB, HBC, HPG, HSG, PGS, CNG, ACB, CTG, IMP, TRA, KDH, DPR, TRC, SBT, LSS, NHS.

#### 4. Market statistics

TOP 5 MOVERS POSITIVE ON VN - INDEX			
Ticker	Price 30/06/2015	Change in 2015	Index pt
VCB	48.8	+ 16.8	+24.8
BID	22.1	+9.2	+14.4
VNM	113.0	+19.0	+10.5
CTG	19.2	+5.5	+7.1
VIC	43.5	+5.74	+5.26

TOP 5 MOVERS NEGATIVE ON VN - INDEX			
Ticker	Price 30/06/2015	Change in 2015	Index pt
GAS	62.00	-8.00	-8.5
HPG	28.90	-6.10	-2.5
PVD	52.50	-11.00	-1.9
DHG	73.50	-19.50	-0.9
KDC	42.80	-6.40	-0.9

TOP 5 LEADERS ON HSX (Price> 10,000 VND. Average Volume >70,000 shares/session)			
Ticker	Beginning price	Closing price (30/6)	%Chg
BID	12.7	22.1	74
HBC	14.8	24.0	62
VCB	31.9	48.8	52
DAG	11.9	18.2	52
HHS	15.8	23.6	49

TOP 5 LAGGERS ON HSX (Price> 10,000 VND. Average Volume >70,000 shares/session)			
Ticker	Beginning price	Closing price (30/6)	%Chg
JVC	16.7	8.1	-51
HAI	13.5	9.4	-30
PPI	12.8	9.0	-29
IDI	11.2	8.1	-29
QBS	14.0	10.2	-27

TOP 5 VOLUME LEADERS ON HSX			
Ticker	Average trading volume/session	Ticker	Average trading volume/session
FLC	19.073.764	FLC	138.666.527.473
CII	7.273.844	SSI	91.749.925.824
OGC	6.057.685	HAG	74.209.282.967
SSI	4.663.406	VIC	48.647.876.368
MBB	4.044.430	ITA	48.419.612.637

TOP 5 MOVERS POSITIVE ON HNX – INDEX			
Ticker	Price 30/06/2015	Change in 2015	Index pt
ACB	20.50	+5.20	+3.0
VCG	13.60	+1.60	+0.4
CHP	18.00	+4.21	+0.3
PVS	26.90	+1.00	+0.2
VCS	33.10	+6.60	+0.2

TOP 5 MOVERS NEGATIVE ON HNX – INDEX			
Ticker	Price 30/06/2015	Change in 2015	Index pt
OCH	11.00	-14.10	-1.7
LAS	27.60	-6.90	-0.3
KLF	6.90	-2.64	-0.1
CCM	8.80	-2.80	-0.1
NVB	6.90	-0.60	-0.1

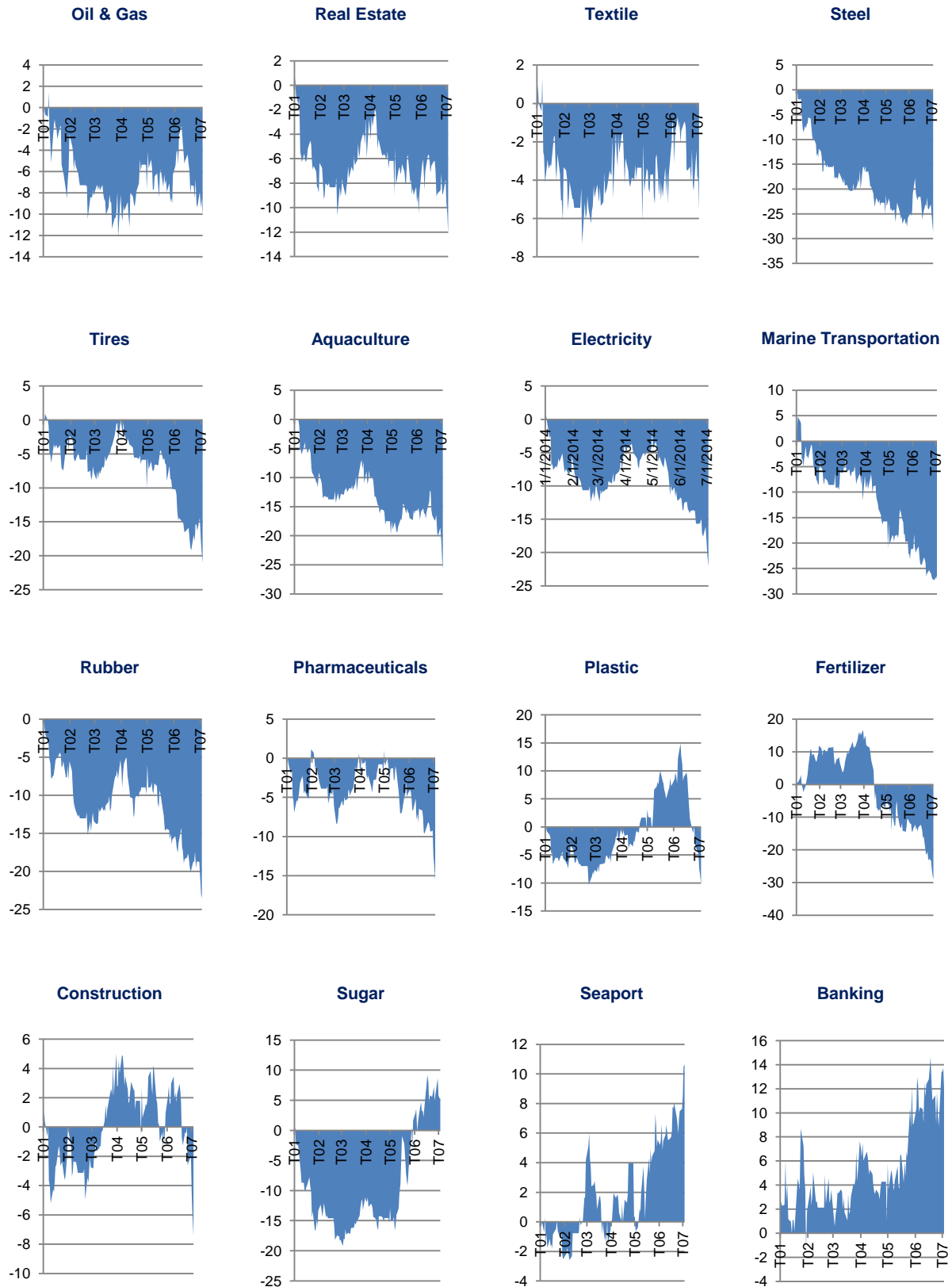
TOP 5 LEADERS ON HNX (Price> 10,000 VND. Average Volume >70,000 shares/session)			
Ticker	Beginning price	Closing price (30/6)	%Chg
VC3	16.2	29.8	84
CTX	10.1	17.0	68
SD5	11.8	16.0	35
VDL	22.4	30.3	35
ACB	15.4	20.5	33

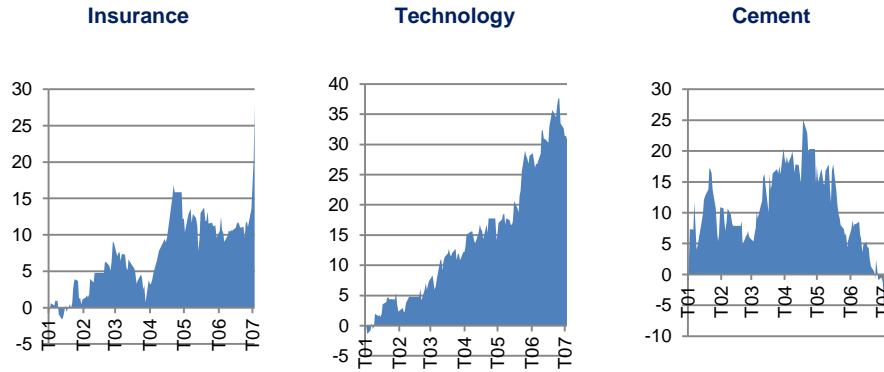
TOP 5 LAGGERS ON HNX (Price> 10,000 VND)			
Ticker	Beginning price	Closing price (30/6)	%Chg
ITQ	28.0	10.1	-64
NDF	13.8	5.9	-57
BII	14.1	8.1	-42
KLF	10.1	6.9	-32
VIX	15.4	11.2	-27

TOP 5 VOLUME LEADERS ON HNX			
Ticker	Average trading volume/session	Ticker	Average trading volume/session
KLF	5.023.363	PVS	83.086193.929
FIT	4.916.790	KLF	72.060.527.253
SCR	4.651.654	FIT	48.816.284.343
SHB	2.987.046	SHB	43.582.378.986
PVX	2.760.843	SCR	40.751.650.190

Source: BSC

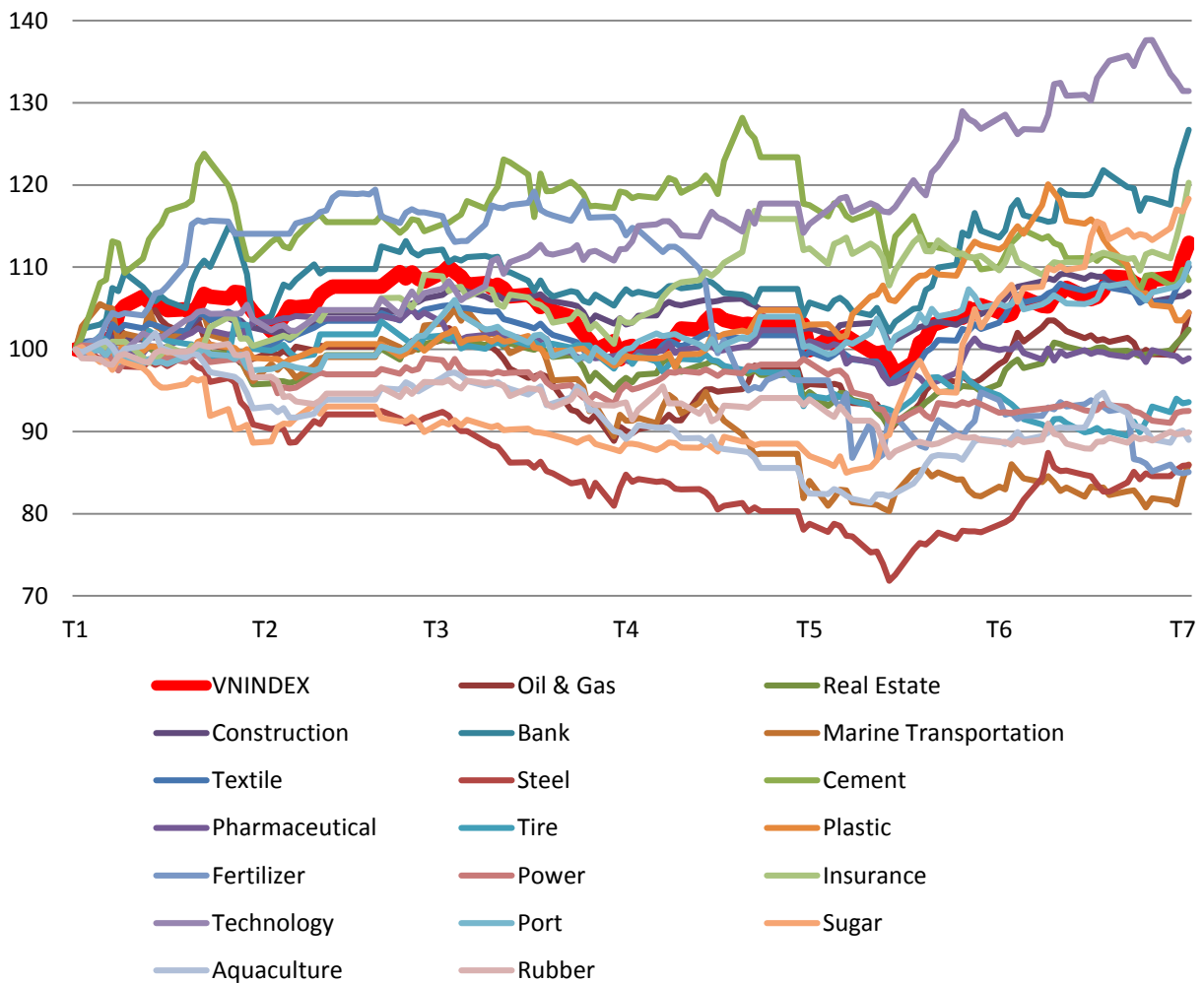
## 5. Sector Performance versus VN-Index in first half 2015





Source: Bloomberg, BSC

## 6. VN-Index and Sector Performance



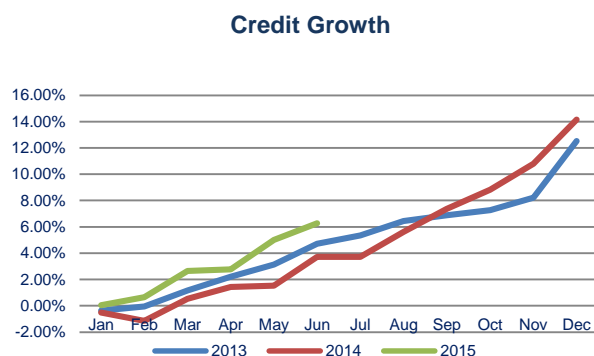
Source: Bloomberg, BSC

## II. SECTOR OUTLOOK

### 1. Banking sector

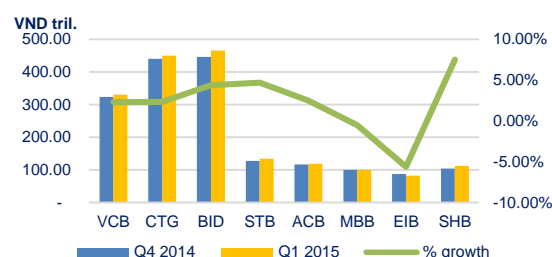
#### First-half 2015 Review

**Positive credit growth.** Credit balance increased by 6,28% in 6 months, triple than the same period's growth in 2014. Deputy Director General of Credit Department confirmed that, in case of necessity, SBV may open the credit growth limit from 13-15% to 17%. Governor of SBV also set new credit growth limits for certain banks in 2015.



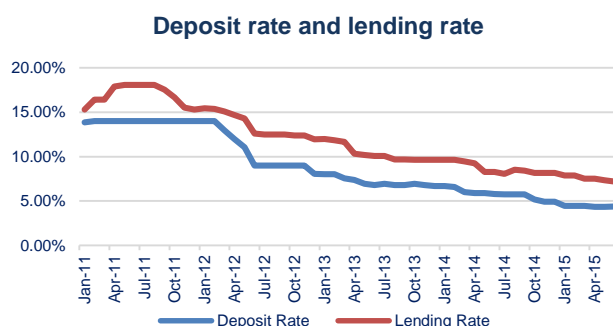
(Source: SBV, NFRC)

#### Banks' credit exposure and credit growth in 1Q2015

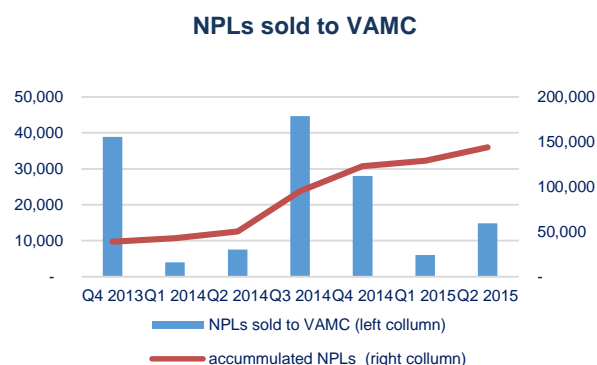


(Sources: Banks' financial reports)

**The interest rate level fell slightly in 1H2015.** The deposit rate reduced by 0.2% -0.5%, mainly in over-6-month period. Popular deposit rate was at 5.4% -6.5% for periods of 6-month to 12-month. Lending rate decreased by 0.2% -0.3%, commonly at 6-9% for short-term loans and 9-11% for long-term loans. The interest rates started to rise since the beginning of June after a long period of continuous decline. Many banks raise deposit rates as ACB, EIB, BID, CTG, etc. Deposit rate is increased as banks rebalanced their source of funds due to **(1)** high credit growth while slow deposit growth (increased by 4.48% in deposit in 6M2015 while in the same period up 5.26%) and **(2)** recovering investment channels such as real estate, stocks reduce the attractiveness of the deposit rate.



(Sources: Bloomberg)



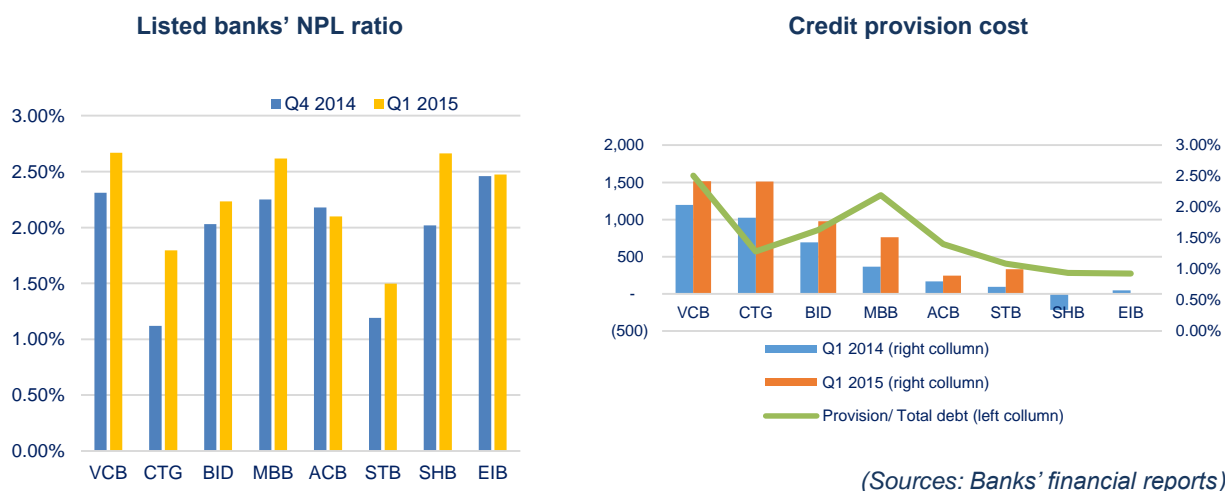
(Sources: SBV)

Deposit rates increased while lending interest rates barely increased, putting downward pressure on the bank's NIM. With low NIM (average of 2.8%), we assume that lending rates are unlikely to decrease as the objectives of the central bank (decrease 1.5-2% in medium and long-term).



**NPL ratio.** By the end of May 2015, the NPL ratio was 3.15% throughout the system, down from the end of 2014 (3.25%) due to higher credit growth and banks boost debt selling for VAMC. By the end of 1Q2015, the NPL ratio of listed banks was 2.2% (end of 2014 was 1.84%). We maintain our view that the debt ratio could rise in 2Q2015 due to **(1)** the impact of the regulation on loan classification according to CIC, **(2)** loan classification combines qualitative methods and quantification and **(3)** termination of debt restructuring, debt group stayed from April, 1<sup>st</sup>, 2015. Then, the NPL ratio can be reduced to the target of 3% through high credit growth and sale of NPLs for VAMC (completed debt sale before 30/09/2015).

**Boosting Non-performing loans sale for VAMC.** Decree No.34 increased the debt purchase capacity of VAMC through increased charter capital from VND500 billion to VND2000 billion and allowed VAMC to issue bonds to buy the debts at market price. At the same time, prolonging time to make provision for Special bond of credit institutions in restructuring/difficult finance from 5 to 10 years, which reduce provisioning costs each year for these credit institutions. Till June, 15<sup>th</sup>, 2015, VAMC has acquired VND28.194 billion of principal loans outstanding from credit institutions in 2015. Accumulated since operation, VAMC bought VND143.800 billion of principal loans outstanding. As the goal, till end of June 2015, the credit institutions must sell at least 75% of assigned NPLs and completed sale of 100% for VAMC before 30/09/2015. The NPL ratio of the whole system is objected to be under 3% at the end of 2015.



**Provision expense for credit risk increased.** At the end of quarter 1/2015, the total provision cost for credit risk of 8 listed banks rose by 40.38% yoy. Except EIB, banks increased provision for credit risk. Some banks have high ratio of provision for credit risk/total loans include VCB, BID, MBB and ACB. We appreciate as a positive sign. Larger provisions fund raise banks' credit risk hedging. The provision cost for credit risk is forecasted to increase due to **(1)** NPL ratio increased; **(2)** increased provision for NPLs sold to the VAMC.

**Restructuring of credit institutions.** In 2015, a series of restructuring activities of credit institutions are implemented. Mergers has been taken such as MHB & BID, Vietinbank & PGBank, Southern Bank & STB, Maritime Bank – MDBank, etc. SBV completed the acquisition of three banks, namely Vietnam Construction Bank (VNCB), Oceanbank and GPBank at VND0.

**Operating results in quarter 1/2015.** At the end of 1Q2015, total outstanding loans of 8 listed banks (was at VND1.8 trillion) rose by 2.77% compared to 31/12/2014, the NPL ratio was 2.2%. Banks increased provision for NPLs by 40.38% yoy. However, total EBT of 8 listed banks rose by 6.06% yoy, reaching VND8.007 billion due to the growth of interest income and boosting non-interest activities.

**Financial Indicators of quarter 1/2015 of listed commercial banks**

	VCB	CTG	BID	STB	ACB	MBB	EIB	SHB	Trung bình
<b>Size</b>									
<b>Charter Capital (billion VND)</b>	26,650	37,234	28,112	12,425	8,963	11,594	12,294	8,861	<b>18,267</b>
<b>Total assets (billion VND)</b>	539,757	645,835	662,206	198,742	187,311	200,489	144,839	165,930	<b>343,139</b>
<b>Growth (in 6 months)</b>									
<b>Asset growth</b>	-6.45%	-2.31%	1.82%	4.71%	4.29%	0.00%	10.09%	-1.84%	<b>-1.23%</b>
<b>Credit Growth</b>	2.30%	2.32%	4.37%	4.67%	2.47%	-0.55%	-5.60%	7.50%	<b>2.18%</b>
<b>Deposit Growth</b>	3.34%	1.01%	5.24%	4.93%	1.37%	-3.05%	-2.13%	9.23%	<b>2.49%</b>
<b>Operating Performance</b>									
<b>Earnings before tax and credit risk provision</b>	2,973	3,074	3,252	1,144	607	1,560	538	217	<b>1,671</b>
<b>Credit risk provision</b>	1,517	1,510	979	332	247	763		8	<b>765</b>
<b>EAT (billion VND)</b>	1,132	1,245	1,865	637	281	620	415	166	<b>795</b>
<b>NIM</b>	2.75%	3.24%	2.98%	4.36%	3.14%	4.16%	2.08%	2.45%	<b>3.15%</b>
<b>EPS TTM (VND/share)</b>	1,712	1,564	1,897	1,949	1,096	1,490	102	866	<b>1,334</b>
<b>ROA</b>	0.92%	0.97%	0.86%	1.21%	0.54%	1.30%	0.08%	0.52%	<b>0.80%</b>
<b>ROE</b>	10.30%	8.93%	10.30%	10.44%	15.49%	12.64%	7.72%	15.01%	<b>11.35%</b>
<b>Capital Adequacy</b>									
<b>Equity/Total assets</b>	8.24%	8.72%	5.27%	9.41%	6.77%	8.55%	10.00%	6.44%	<b>7.92%</b>
<b>Asset Quality</b>									
<b>NPL</b>	2.67%	1.80%	2.23%	1.50%	2.10%	2.62%	2.47%	2.66%	<b>2.26%</b>
<b>LAR</b>	61.28%	69.69%	70.25%	67.42%	63.64%	49.89%	56.80%	67.44%	<b>63.30%</b>

Source: BSC

## Recommendation

We are maintaining our **POSITIVE** Ratings outlook for the banking sector. This is the sector that has the most influence to VN-Index. Credit growth is predicted to increase stronger thanks to **(1)** economy recovery, **(2)** low lending rate, **(3)** more short-term capital for mid and long-term loans (rise from 30% to 60%). In addition, commercial banks are to increase their provision and sell NPLs, leading to the possibility of year-end NPL ratio may fall under the 3% target. In terms of stocks, besides the three largest commercial banks (VCB, BID, CTG) which prices have risen significantly since the beginning of

2015, we assume that other listed commercial banks (second tier Banks) should be under consideration such as ACB, MBB, EIB,...

Ticker	EAT 2014 (billion VND)	EAT 2015F (billion VND)	EPS 2015F	P/E FW	P/B FW	Closing price 31.12.201 4	Closing price 31.3.2015	Closing price 30.06.2015	Change	Target price
<b>VCB*</b>	5.876	5,499	2,063	23,65	2,94	31.200	34.400	48.800	56,41%	61.900
<b>BID*</b>	4,948	5,724	2,036	10,36	1,78	12.000	16.600	21.100	75,83%	27.800
<b>CTG*</b>	5.712	5.690	1.528	12.57	1,30	13.100	16.500	19.200	46,56%	23.000
<b>MBB</b>	2,476	2.554	2.070	7,29	1,05	13.100	13.700	15.100	15,27%	16.600
<b>ACB*</b>	952	1.014	1.131	18,13	1,48	14.800	16.000	20.500	38,51%	24.600

Source: BSC forecast, (\*) stocks with adjusted closing price

## 2. Real Estate Sector

### First-half 2015 Review

**The real estate market continues to show positive signs:** based on (1) The number of successful transactions rose sharply, mainly in premium and intermediate segments. 7.500 successful transactions were taken place in Hanoi (up 2.5 times yoy) and the number is 7.050 in Ho Chi Minh City (up 2.8 times yoy). Premium and intermediate segments account for about 74% of total transactions, while in the previous year, these segments only accounted for 67%. Affordable segment tends to move slowly; (2) Selling price is stable in all three segments, except good-location projects which has a slightly increase, about 5%, in price.

**Circular 200 does not cause big impact on real estate companies:** Regarding the Circular, real estate companies could not recognize revenue under percentage-of-completion contracts but only when the assets are handed over to customers. Most of listed real estate enterprises will not be affected by this regulation as they already complied with a specific accounting standard which was enforced previously.

**Lossen provisions of foreigners being able to purchase and own real estate property:** which is stated as (1) Besides apartments, foreign individual can own townhouses, villas... (2) Unlimited number of apartments but not more than 30% total apartments of one residential building owned by a foreigner (3) Foreign individuals can use the property for lease, sale, inheritance or mortgage. Previously the only permitted purpose was to be resident.

**Credit for real estate increased by 11% yoy** due to the increase in investment demand on real estate property ( 60% buyers in 6 months of 2015 is intermediate investors) and higher capital demand of real estate companies to construct and complete pending projects.

### Recommendation

We are maintaining our **POSITIVE** Ratings outlook for the real estate sector. We believe that real estate sector will be the **leading industry** (after the banking sector) this year. We believe that the impact of new regulation on foreign ownership of real estate property will not too impressive as their demand focus mainly on villas and high end houses. The main growth driver will come from domestic residential as Vietnam's economy continues to recover. Two third of our recommended shares from the beginning of the year has increased strongly such as DXG (+38%), VIC (+15%) while KBC remain flat. We change our recommendation from BUY to HOLD with DXG while maintain BUY to VIC, KBC and add one new potential stock (KDH).

Ticker	Rev2014	EAT 2014	Rev 2015	EAT 2015	EPS 2015	P/E F	P/B F	Closing price 31/12/2014	Closing price 31/03/2015	Closing price 30/06/2015	Change	Target price
<b>VIC*</b>	27,727	3776	35,671	4649	3,196	14.00	5.41	47,700	47,000	43,500	14.78 %	53,000
<b>DXG*</b>	523	168	716	258	2,562	6.50	2.47	14,000	17,000	16,300	36.97%	17,000
<b>KBC</b>	1,069	326	2,182	615	1,293	12.92	1.12	15,900	16,000	15,500	-2.52%	20,400
<b>KDH</b>	631	102	1,252	202	1,600	14.06	1.22	20,200	21,900	21,700	7.43%	25,100

Source: BSC forecast, (\*) stocks with adjusted closing price

### 3. Construction Sector

#### First-half 2015 Review

Construction sector continue to have optimism developments as rated in our 2015 Industries outlook report which is based on the following perspectives (1) The production value of construction (2) the recovery of real estate sector (3) Benefiting from the improvement of manufacturing and processing industry (4) Increasing transportation and infrastructure projects.

**Construction value for 6 months of 2015 is up 6.8% yoy.** According to the General Statistics Office, 6-month production value of construction is estimated to be VND 393.8 trillion (at current prices) and VND 313.3 trillion (compared to prices in 2010, up 6.8% yoy). In which foreign investment maintains a high growth rate (representing 7.4% of total construction value of Vietnam, increase 22.6% yoy) due to accelerated projects in Vung Ang Economic Zone.

**The recovery of real estate sector:** Expected number of successful real estate transactions in Hanoi is about 7.500 (up 2.5 times yoy, in Ho Chi Minh is approximately 7.050 transactions (up 2.8 times yoy) for 6 months of 2015. Real estate stocks fell, about VND 67.443 billion as of 20.05.2015, decrease 8.72% compared to 15.12.2014. Additionally, real estate is the second sector that attracts the most FDI with 11 newly registered projects and 7 projects increase their investment capital of nearly USD 465.5 million, representing 8.5% of total FDI.

**Manufacturing and processing industry attracts foreign investors.** We believe that the construction sector will also benefit from the manufacturing and processing industry, which accounts for 76.2% of total FDI in Vietnam, due to the increasing needs on building industrial and civil infrastructure.

**Transportation infrastructure projects continue to be implemented and accelerated:** Total funding schedule for 2015 is VND 84.624 billion of which VND 6.699 billion is reimbursed, the remaining VND 77.925 billion will be disbursed during the year. For the ending of June, net present value of transportation projects is estimated to be VND 36.536 billion (reach 45.8% of the 2015 plan) and disbursement value is expected to be VND 33.753 billion. Besides, in the first 6 months, the Ministry of Transportation has mobilized over VND 27 trillion to invest in 11 BOT projects, 73% of the plan in 2015

#### Recommendation

We are maintaining our **POSITIVE** Ratings outlook for the construction industry in 2015. We recommended BUY and long-term holding with LCG, HUT and CII. Additionally, we represent a new potential stock (HBC) with BUY and HOLD for long-term. HBC has improved its business results in 2015. Net income is expected to be VND 77-80 billion, completes 43% of 2015 business plan and surpasses 2014 earnings results.

Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
<b>LCG</b>	1,266	-12	1,467	45	593	13.5	0.62	8,500	7,000	8,000	-5.88%	11,400
<b>HUT*</b>	2,762	259	2,316	145	1,129	10.36	1.04	14,200	15,500	11,700	-7.87%	13,551
<b>HBC</b>	3,518	69	5,300	180	2,414	9.94	1.64	14,800	17,900	24,000	62.16%	26,549
<b>CII*</b>	2,606	388	3,145	462	2,366	10.02	1.15	20,300	18,500	23,700	24.74%	28,388

## 4. Cement Sector

### First-half 2015 Review

Cement consumption remains on track with our forecasts in the 2015 Industries outlook report as the sector benefits from the recovery of real estate and construction industries. However, EUR depreciated against VND has affected significantly business results of major listed cement companies, which we had mentioned previously in May 2015 Report.

**Cement consumption from the beginning of the year has increased by 6% yoy.** The Ministry of Construction estimated consumption of cement and clinker for 6 months of 2015 will be about 34.16 million tons, in which domestic consumption is about 25.97 million tons (+5% yoy) and 8.19 million tons exports (+7.7% yoy). Ministry of Construction estimates cement consumption in 2015 will reach 72-74 million tons (+4.5% yoy). Currently there are 76 cement production lines with total capacity of 81.56 million tons and there will be no newly established production line in 2016. Cement price remains stable, except Hoang Mai Cement products which have a slightly increase in price since the beginning of 2015.

**Business results of the industry in Q2 2015 will be affected by the increase in VND/EUR exchange rate.** In Q2 2015, VND/EUR tends to increase slightly, up about 5.1% compared to the rate on 31.03.2015. Therefore, financial costs of cement companies such as HT1, BCC, BTS will increase significantly due to additional foreign exchange losses. However, considering semiannual financial statements, these enterprises still gain on foreign exchange movements as VND/EUR has fallen 7.56% compared to the rate on 31.12.2014. We estimate earnings before tax of HT1 half of the year will be about VND 278 billion, to BCC it will be VND 140-150 billion and over VND 60 billion with BTS.

### Recommendation

We are maintaining our **POSITIVE** Ratings outlook for the Cement sector in 2015. We recommend BUY and HOLD in medium and long-term with HT1, BCC and BTS. The reasons are **(1) HT1:** According to the statistic of Vietnam National Cement Association (VNCA), HT1's domestic consumption increases significantly, reached 2.35 million tons as of 17.06.2015 (+20.43% yoy). **(2) BCC:** Cement consumption is approximately 1.75 million tons (+6% yoy) and 250.000 tons of clinker for half of this year. We estimate half-year EPS could be VND 1.076 per share (for the core operations) and roughly VND 1.829 per share (if accounts for exchange rate gains for half year). **(3) BTS:** Regarding the VNCA's statistic, BTS's cement consumption as of 17.06.2015 was 1.12 million tons (+16.07% yoy). BTS planned to make early payment of EUR 10.82 million to JBIC. **(4) HOM:** It is expected that net income for half year would reach VND 34 billion (+ 40.04% yoy) and half-year EPS could be VND 437/share. BVPS of HOM is at VND 12.963/share

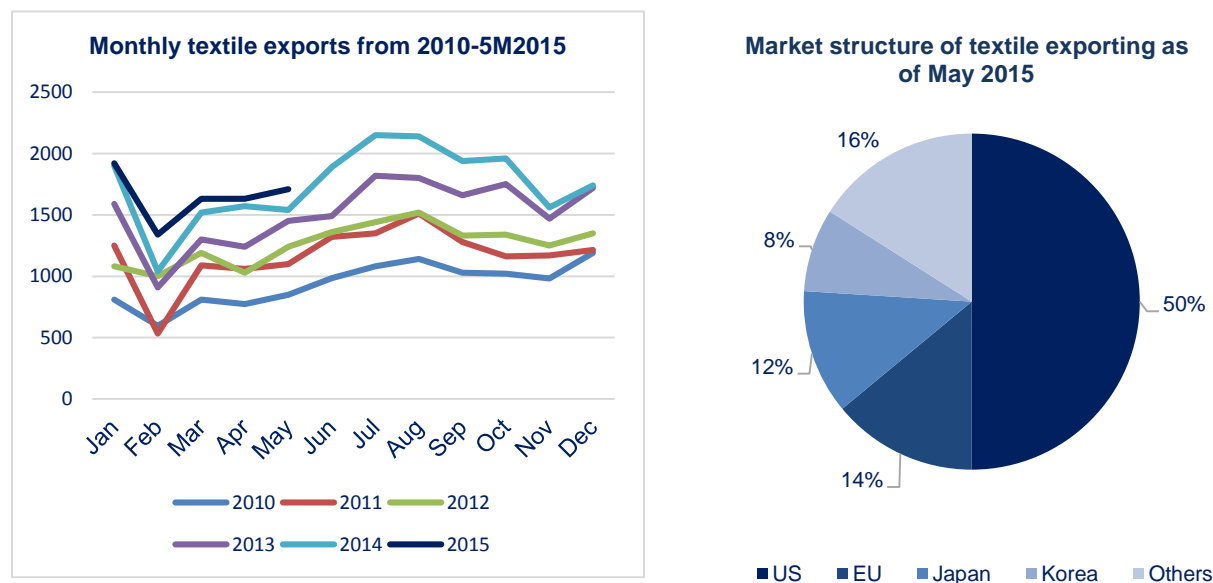
Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
BCC	4,336	162	4,700	263	2,757	5.44	0.84	14,900	18,300	15,000	0.67%	20,254
HT1	6,758	309	7,363	619	1,949	11.7	1.67	17,400	20,700	22,800	31.03%	24,939
BTS	2,930	122	2,901	111	1,016	9.35	0.86	7,600	10,100	9,500	25.00%	10,665

Source: BSC forecast, (\*) stocks with adjusted closing price

## 5. Textile Sector

### First-half 2015 Review

**Textile exports as the end of May 2015 reach USD 8.15 billion (+9.2% yoy).** According to the General Statistics Office of Vietnam, textile exports to US market continue to be top with USD 4.05 billion (+10.5% yoy), the second major market of Vietnam's textile is EU with USD 1.16 billion (+4.9% yoy). Nearly 62% textile enterprises noticed increase in the number of export contracts compared to previous year. Business results of these companies are expected to be optimistic as the second and third quarters used to be the seasonal period of textile industry.



Source: GSOV

**The goal to achieve USD 28.5 billion textile exports in 2015 (+15% yoy) was driven by free trade agreements (FTAs) which was successfully signed**, taking effect from 2016 as we had noted in our 2015 Industries outlook report:

- **Vietnam – Korea FTA (VFFTA):** the agreement was signed on 05.05.2015 which brought advantages for Vietnam garment industry with tariff of 0% as soon as the agreement comes into force. South Korea is the top three market of textile exports with USD 661.8 million (+6.6% yoy) as of May 2015
- **Vietnam – Customs Union Russia – Belarus – Kazakhstan (VCUFTA):** On 29.05.2015, the agreement was signed. As committed, the majority of Vietnam garment products will be import-tax free as soon as the agreement comes into effect while the remaining products will have tariff cutting down to 0% according to the schedule.

**Remaining FTAs are in the negotiation process:**

- **Vietnam – EU FTA (VEFTA):** The 13<sup>th</sup> negotiating session was held from 8-12.06.2015 in Brussel, Belgium has achieved positive progress. Currently the average tariff applied to Vietnam's textile products in EU is about 12% and is expected to reduce to 0%.



- **Trans-Pacific Strategic Economic Partnership Agreement (TPP):** On 29.06.2015, US President signed TPA legislation to accelerate negotiations with the remaining 11 countries. Currently, tariff for Vietnam's textile products in US is 12-17%. The rate is expected to be reduced to 0% when TPP is adopted but these provisions will come together with "from yarn onward" original rules.

### Recommendation

We are maintaining our **POSITIVE** Ratings outlook for the textile sector in the remaining of 2015. Industry developments in the first months of the year has proved that textiles enterprises will continue to maintain revenues and profits growth. The outlook for the FTAs which are being negotiated is quite positive. We continue to recommend BUY with these textile stocks follows:

Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
<b>TCM*</b>	2,594	168	2,675	173	4,110	8.3	2.06	32,000	32,000	34,100	8.60%	39,600
<b>TNG*</b>	1,382	53	1,722	75	3,899	7.5	1.3	19,500	23,300	25,200	33.33%	29,400
<b>STK</b>	1,457	106	1,722	117	2,778	6.5	1.08					24,900

Source: BSC forecast, (\*) stocks with adjusted closing price

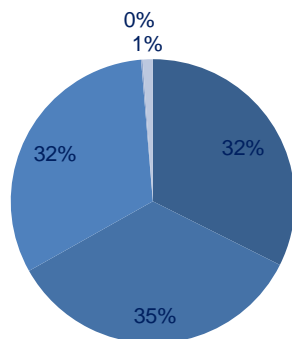
## 6. Electricity Sector

### First-half 2015 Review

**Electricity output boosted by hot weather in provinces across Vietnam:** In the first 5 months of 2015, EVN's production output and purchase is estimated to be 62.178 billion kWh, up 31.11% yoy. Commercial power output reached 55.011 billion kWh, increase 11.35% yoy. In which, commercial domestic electricity rose 11.76% yoy, power provided for industries and construction increased by 11.79% yoy, managing and consumption power was up 9.75% yoy, electricity granted to agriculture increased 23.67% while for other sectors, the number was up 5.81% yoy.

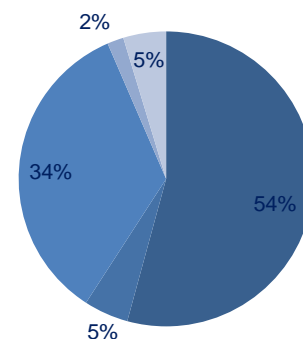
**Power production structure in 5M 2015**

■ Hydropower plants   ■ Coal-fired power plants  
■ Gas-fired power plants   ■ Oil-fired power plants  
■ Imports



**Power using structure in 5M 2015**

■ Industry and construction  
■ Commerce  
■ Management and consumption  
■ Agriculture  
■ Others



**Drought in Central provinces caused great difficulties for hydropower plants and increased electricity price on competitive power market.** Overall in 5 months of 2015, total production output of hydroelectric plants was 20.139 billion kWh, a slight increase of 3% yoy, mostly came from the northern area. As estimated for the first 5 months of the year, production output from thermal power plants would be 21.427 billion kWh, up 41% yoy. At the same time, power mobilization from hydroelectric plants declines has caused electricity price to increase in competitive electricity market as coal-fired power plants have higher selling price than hydropower ones.

**Exchange rate developments and the application of Circular 200 affects thermal power plants business results:** Regarding Circular 200/2014/TT-BTC dated 22.12.2014 guiding on accounting standards, when revaluing loans in foreign currencies, enterprises must apply the conversion selling exchange rates of banks instead of using transferring exchange rate as before. The exchange rate movements of JPY, KRW and EUR were mixed in Q2 2015 as JPY and KRW had slight decreases and EUR rebounded. Thus, in Q2 2015, PPC and BTP will record foreign exchange gains, while foreign exchange losses will be the case for NT2 due to revaluation of outstanding foreign currency loans. Moreover, if Circular 200 is applied from Q2 2015, NT2's foreign exchange losses will increase by about VND 35 billion. According to the latest news, BTP has made proposal to Ho Chi Minh Stock Exchange for performing its financial statements according to Circular 200 since Q4 2015.

**Most electricity companies report earnings growth in the first 6 months of 2015.** According to power companies' financial report, their business results achieve more growth over the same period of last year thanks to increasing in output mobilization and electricity price. Some enterprises have their net incomes falling such as SHP, PPC, BTP due to regular maintenance operations and foreign exchange losses. However, business results of these companies in Q2 2015 has improved.

Tickers	Type of plant	Capacity (MW)	Location	Revenue Q1 2015 (VND bil.)	%y.o.y	Profits Q1 2015 (VND bil.)	%y.o.y
NT2	Gas turbines	750	Dong Nai	1,758.10	4%	503.44	2230%
TMP	Hydropower	150	Binh Phuoc	163.31	69%	60.97	213%
CHP	Hydropower	170	Hue	172.06	52%	78.83	212%
HJS	Hydropower	12	Ha Giang	32.88	36%	5.27	87%
VSH	Hydropower	136	Binh Dinh	126.56	41%	80.46	69%
TBC	Hydropower	120	Yen Bai	71.28	12%	35.93	51%
SJD	Hydropower	104	Binh Phuoc, Gia Lai, Dien Bien	69.83	26%	31.08	45%
SBA	Hydropower	73	Quang Nam, Phu Yen	35.60	-23%	5.14	-39%
PPC	Thermal coal	1040	Hai Duong	2,002.20	-7%	51.36	-77%
NBP	Thermal coal	100	Ninh Binh	144.14	-48%	0.72	-90%
BTP	Gas turbines	388	Vung Tau	418.45	-36%	(122.88)	-384%
SHP	Hydropower	122.5	Lam Dong	69.91	15%	(22.70)	-410%

Source: BSC

### Recommendation

We are maintaining our **POSITIVE** Ratings outlook for the electricity sector in the second half of 2015, particularly thermal power enterprises as they benefit from the devaluation of other currencies against USD, increasing in output mobilization and electricity price in competitive market due to severe draught led to hydropower output decline. However, we note some hydroelectric enterprises still maintain positive business results in 2015 such as CHP, SJD.

Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
NT2	7,065	1,591	6,811	850	3,319	6.93	1.26	20,900	24,300	23,000	+17%	29,070
SHP*	596	216	632	226	2,417	7.45	1.31	20,500	19,000	18,000	-5%	20,600

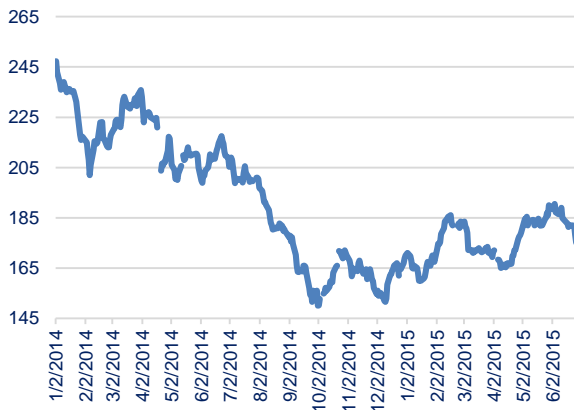
Source: BSC forecast, (\*) stocks with adjusted closing price

## 7. Tire Sector

### First-half 2015 Review

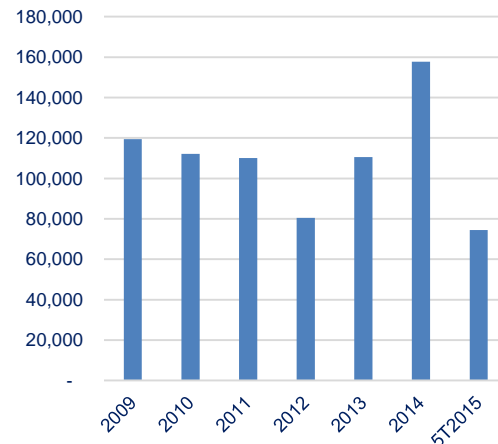
**Rubber price remains low.** Rubber price rose in April and May then declined sharply in June. Average RSS3 price at Singapore exchanges in the first 6 months of 2015 is about USD 175.96/ton, lower than 10% compared to the average transaction price in 2014 (USD 195.42/ton). We believe that rubber price will remain low in 2015 due to oversupply. International Rubber Study Group forecasts global rubber output will surplus 77.000 tons in 2015 and 51.000 tons in 2016.

**RSS3 price in Singapore exchanges**



(Source: Bloomberg)

**Automobile consumption 2010 – 5M 2015**



(Source: VAMA)

**Increasing number of vehicles in circulation boosts demand for tires.** In the first 6 months of 2015, there were 89.428 newly registered cars (+67% yoy), 1.105.498 newly registered motorcycles (+7.3% yoy). Total number of cars sold in the first 5 months soared, up 105% yoy to 84.806 vehicles due to the Ministry of Transportation's new regulation on tightening tonnage limit, reduced registration fees and stimulus selling program from the automakers.

**Production capacity of domestic companies is expected to increase sharply.** DRC, CSM planned to implement Phase 2 of their radial tires factories which would increase total capacity of each plant to 600.000 tires/year. Additionally, CSM has plan for its half-steel radial tires factory with total capacity of 4 million tires/year in 2015.

**Business results in Q1 2015 is not positive, but will improve in Q2 2015.** Net revenue of the three tires enterprises increased 5.23%, at VND 1.652 billion, while profits after tax fell sharply, down 16.29%, at VND 153 billion. DRC is the only company observe growth in revenue and net income, VND 766 billion (+13% yoy) and VND 88 billion (+2.13% yoy) respectively due to positive consumption of radial tires. Radial tires sales quantity of DRC has increased over the quarter, approximately 35.368 tires in Q1 2015 (up 4 times yoy), achieve 47% of design capacity. It is estimated that in Q2 2015, sales volume would reach 48.000 tires. CSM continues to record losses from Radial tires project as consumption quantity is lower than the breakeven quantity. SRC's revenue and gross profit margin plummeted. In our opinion, business results of tires companies in Q2 2015 will be more optimistic than Q1 2015. The profit before tax

of DRC and CSM in Quarter II/2015 are estimated at 149 VND billion (+17% yoy) and 152 VND billion (+31% yoy).

### Recommendation

We are maintaining our **POSITIVE** Ratings outlook for the tire sector thanks to the increasing demand, and positive consumption of Radial tire. We recommend long term investments into 2 stocks DRC and CSM. Notably, the rubber price was at the lowest level from 2010 to now, therefore tire companies will confront the risk of decreasing profit if the rubber price recovers and the production of Radial tire increases inadequately.

Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
<b>DRC*</b>	3,251	353	3,565	395	4,012	13.21	2.93	48,500	52,400	53,000	9.29%	56,400
<b>CSM</b>	3,178	331	3,437	312	3,853	10.12	1.78	43,000	40,300	39,000	-9.30%	44,100

Source: BSC forecast, (\*) stocks with adjusted closing price

## 8. Technology - Telecommunication Sector

### First-half 2015 Review

We recommend that Technology – Telecommunication Sector will have many potential opportunities to grow from 2015 by dint of (1) The boosting in Software solution field (2) The increase in companies' disbursement for Information system service (3) Increasing investment in telecommunication infrastructure. This is the sector we believe that there will be more potential when the economy has been recovered more clearly.

**Software outsourcing – New India + 1 with attractive cost.** According to the rank classification report of Outsourcing destination in 2015 released by Tholons, Hanoi ranked the 20<sup>th</sup> (Increasing 2 ranks as compared with 2014) and Ho Chi Minh city ranked the 18<sup>th</sup> (Declining 1 rank as compared with 2014). Moreover, in 2015, Software outsourcing market, for the first time, was classified as the most attractive market in the world with respect to cost, risk, and operation condition (C&W report).

**Information system service – The growth again after difficult stage.** With the increase in domestic companies' disbursement into Information system service, the operating result of some companies (FPT, CMG) all had positive signals. Beside traditional customers of information system service such as tax, banking... Intelligent transportation system was also an attractive market with many projects in transportation sector; some firms in this market are ITD (contributing 70 – 80% the market of transportation charging), Cadpro (transportation charging), ELC (providing the loading capacity measurement).

**Broadband telecommunications – Investments into infrastructure in order to creating competitive advantage.** We evaluate that the firms which owned the Telecommunication infrastructure will be initiative in providing their service (combining many services in one line: Internet – Cable TV – Telephone), thereby improving profit margin. With respect to listed companies, only FPT now owns enough both domestic infrastructure and foreign infrastructure, CMG will also implement to develop the cable pivot in domestic in 2015. The APG undersea cable will come into operation in the end of 2015, increasing Viettel, FPT and CMG advantages.

### Recommendation

We are maintaining our **POSITIVE** Ratings outlook for the Information Technology & Telecommunication sector in the last 6 months of 2015 and notice several remarkable stocks including FPT, CMG, ITD, HIG.

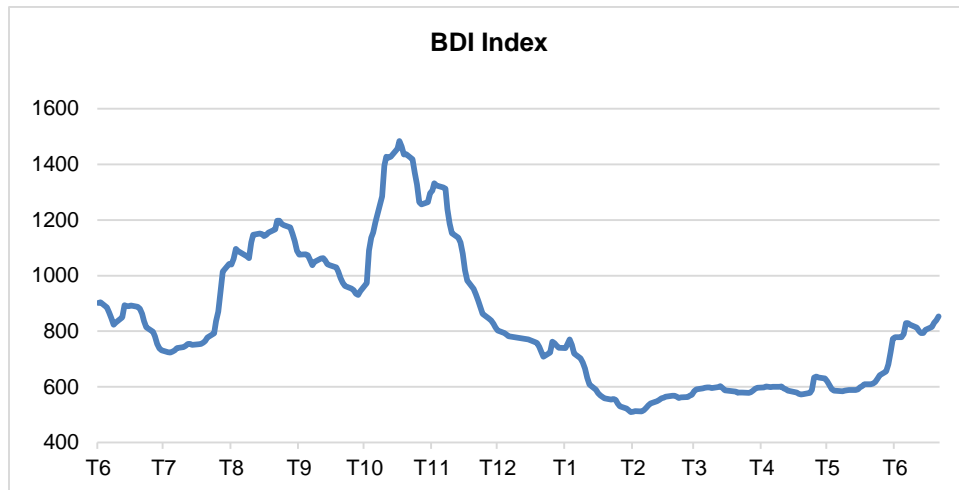
Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
<b>FPT*</b>	32,645	2,079	39,600	2,359	4,682	9.91	2.14	48,000	48,400	46,400	13.45%	56,186
<b>CMG</b>	3,265	118	3,093	155	1,800	8.67	1.31	8,900	11,300	15,600	75.28%	15,668
<b>ITD</b>	448	20	540	33	1,795	9.67	1.14	9,300	12,800	19,000	104.30%	17,357
<b>HIG</b>	503	5	575	11	506	14.22	0.42	4,600	5,100	7,200	56.52%	7,592

Source: BSC forecast, (\*) stocks with adjusted closing price

## 9. Marine shipping Sector

### First-half 2015 Review

**BDI index has recovered from Quarter II:** After significant decrease in Quarter I to all-time low (509 points), BDI index increased by 53% to the level of 829 points. As compared with the end of 2014, BDI only decreased by 2%.



Source: Bloomberg

**Crude oil price decreased to the lowest level in March and increased again to fluctuate in the range between 50\$ - 60\$:** the crude oil price decreased to the lowest level of 43.4\$ (on March 17<sup>th</sup>) in many years, and then came back to the range of 60\$ when the number of drilling rigs in US plunged.

### Expectation of new policy which will increase the market share of Viet Nam shipping companies

The project to restructure the marine transportation sector was approved with several remarkable solutions to support shipping companies: **(1)** The shipping business is entitled to buy fuel with preferred prices at the Dung Quat oil refinery; **(2)** Inland transport activities of vessels with nationality of Vietnam was levied a value added tax of 5% within 3 years **(3)** Corporate income tax with respect to income from border transportation decreased by 15% within 10 years. Besides, we expect that some solutions which were submitted but not mentioned in this project will be approved in next years: **(1)** Using Vietnam transportation firms to import coal must be through domestic auctions **(2)** Decreasing by 10% the level of import tax with respect to goods which were shipped by Vietnam border transportation vessels, These are policies which were applied successfully in Philippines, Malaysia, Thailand. (The market share of Philippines vessel groups increased from 7.8% to 15% after 6 years of applied policies).

**The operating results in Quarter I were discriminated between 2 groups of oil/LPG transportation and dry goods transportation:** the operating results were discriminated clearly: (1) The group of oil transportation in time charter (PVT, VTO, GSP) has had better operating results as compared with the same period last year, despite the decreasing rent price by dint of decreasing oil price; (2) Except for TJC, the firms which shipped dry goods (VOS, VNA) all had the lower operating results due to significant



decrease in BDI index. Besides, in 2015, marine transportation companies have had exchange rate losses higher than 2014 due to the increase by 2% of the exchange rate USD/VND.

Tick er	Transpor tation	Total tonnage (DWT)	Revenue Q1/2014 (VND bil)	Profit Q1 2014 (VND bil)	Revenu e Q1/2015 (VND bil)	Profit Q1 2015 (VND bil)	% Increase (decrease) of revenue	% Increase (decrease) of profit
PVT	Tanker	131.000	1,339.48	50	1,117.33	51.27	-17%	3%
VIP	Tanker	145.000	163.84	(12)	158.42	(21.02)	-3%	-82%
VTO	Tanker	162.000	414.81	4	294.88	12.10	-29%	220%
VOS	Drybulk	472.000	539.44	(29)	381.63	(104.29)	-29%	-256%
VNA	Drybulk	175.600	173.19	(10)	153.70	(17.86)	-11%	-85%
TJC	Drybulk	26.000	56.93	3	44.30	3.47	-22%	21%

Source: BSC

### Recommendation

We decrease our rating from **POSITIVE** to **NEUTRAL** for marine transportation sector. Although the most difficult period with marine transportation companies has gone and new recovery might begin, the marine transportation companies still confront with huge challenges: (1) The deceleration of Chinese Economy will decrease the import demand with the goods such as iron ores, coal (majorly shipped in marine way); (2) High pressure from interest expense when the leverage is still at the high level; (3) The uptrend of USD is expected to continue, in the context of high level of trade deficit by dint of the import demand of machineries from the companies in FDI area (trade deficit in the first 5 months in 2015 is estimated at 3 USD billion as compared with trade surplus of 1.5 USD billion in the same period last year), and create a pressure on the companies which had large loan balance in USD.

Tick er	Rev 2014 (bil dong)	EAT 2014 (bil dong )	Rev 2015 E (bil dong )	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
VOS	2,275	70	2,172	1.2	N/A	N/A	0.7	6.200	5.300	3.700	-40%	N/A
VTO	1,526	52,7	1,567	54.2	688	10.3	0.5	8.200	7.400	7.100	-13%	N/A
PVT	5,265	337	5,400	290	1,133	11.6	1.07	14.000	12.700	13.200	-5.7%	N/A

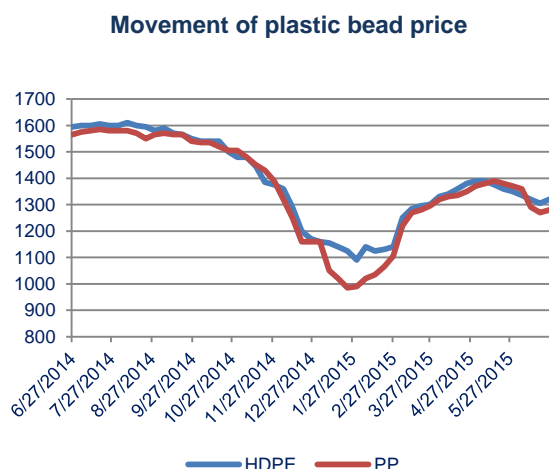
Source: BSC forecast, (\*) stocks with adjusted closing price

## 10. Plastic Sector

### First-half 2015 Review

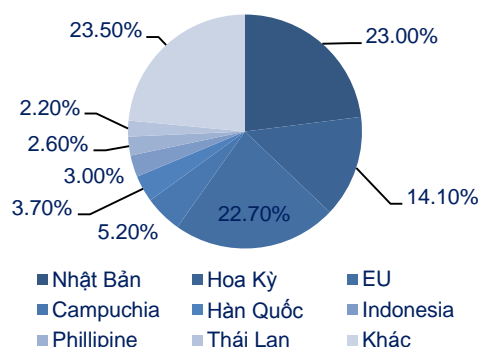
**The plastic bead price was stable as compared with the end of Quarter I/2015.** After the significant recovery as same as the oil price in Quarter I/2015 (HDPE and PP plastic bead price increased respectively by 11% and 12% as compared with the end of 2014), the plastic bead price remained stable in Quarter II/2015, reaching 1320 USD/ton and 1280/ton respectively in HDPE plastic bead and PP plastic bead in the end of June 2015.

**We believe that the plastic bead price in 2015 will remain at the low level as compared with 2014.** Because: (1) The oil price is expected to be at low level as compared with 2014, (2) The consumption demand in China will be low due to slow recovery of China's Economy; (3) The supply of PE and PP in North America is expected to increase as consequence of the surplus supply of PVC and PET plastic bead in the world and the increase in the number of shale oil refinery plants.



Source: Bloomberg

**Proportion of plastic product export markets Q1/2015**



Source: Vietnam plastic association

**Positive outlook from free trade agreements.** The major export market of Vietnam plastic goods is Japan (23%), EU (22.7%), USA (14.1%), Korea (3.7%) and Asean countries. The signature of FTA with EU, Korea; the improvement to establish ASEAN community and the positive signal from TPP will support positively to plastic export companies in Vietnam.

**The depreciation of EUR and JPY had negative effects on revenue of plastic companies in Vietnam:** Up to 30/06/2015, EUR and JPY depreciated by 16.18% yoy and 43.54% yoy, respectively. With the decrease in the input price, the pressure to increase of VND as compared with currencies in major export market made Vietnam plastic companies decrease the price to remain their market shares, leading to the decrease in revenue and gross profit margin of exporters.

**The operating results in Quarter I/2015 were discriminated.** Total net revenue increased by 12.55%, total profit before tax increased by 10.14%. Several companies with the profits after tax which increased significantly are RDP (+193% yoy), DAG (97%), DNP (+36% yoy) and BMP (+30% yoy). Meanwhile, package companies had the decreasing operating results such as AAA (-145%, a loss of VND 6.7 billion), TPC (-60%)

## Recommendation

We maintain a **NEUTRAL** rating on the plastic sector. The year of 2015 will be the beneficial year toward the construction plastic, household plastic, engineering plastic companies because the demand increases and the input price is expected to be lower than 2014. The plastic package exporters will continue to confront with difficulties due to high competition and limited pricing power. We recommend long term investment with 2 stocks in construction plastic sector: BMP and NTP

Tick er	Rev 2014 (bil dong )	EAT 2014 (bil dong )	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 201 5	P/B F 201 5	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
<b>BMP</b> *	2416	377	2,657	434	9,546	8.17	1.94	70,500	75,800	78,000	10.64%	83,800
<b>NTP*</b>	2998	325	3,399	376	6,682	6.73	1.72	47,100	45,000	45,000	-4.46%	54,100

Source: BSC forecast, (\*) stocks with adjusted closing price

## 11. Pharmaceutical Sector

### First-half 2015 Review

**The competitive ability of domestic pharmaceutical companies has been decreased, losing the market share to foreign companies:** The strong competition from the imported medicine led to the cut-out of production in domestic companies. The value of imported pharmaceutical products in the first 5 months of the year reached 817 USD million, rising by 3.3% as compared with the same period of last year, while the value of imported pharmaceutical material in the first 5 months of the year only reached 136 USD million, decreasing 8.7% over the same period of last year.

**The exchange rate VND/EUR decreasing significantly (12%) made the import value from the EU market increase.** The fact that Euro currency decreased significantly in 2015 made the price of medicine from EU become cheaper. Therefore, the import value of pharmaceutical product from EU zone in the first 5 months of the year increased significantly from 296 USD million (rising by 22.3%) and might continue to increase in the months of last year.

**TPP will have negative effects on domestic pharmaceutical sector.** The agreement TPP signature will gradually remove tariff barrier (the tax for imported medicines will averagely decrease from 2.5% to 0%), leading to more opportunities for pharmaceutical products from America to penetrate Vietnam's market, creating competitive pressure on domestic companies. Simultaneously, TPP will expand the length of patent protection toward copyright medicines, leading to limitation on approaching and producing new medicines of domestic companies.

**In Quarter I of 2015, the operating result of pharmaceutical companies increased lightly and discriminated.** Total net revenue of the sector in Quarter I only increased by 2.3% by dint of the influence of Decree 200 (accounting promotion cost into revenue deduction in income statement) but profit after tax increased by 10% as compared with the same period of last year. However, there is a large discrimination of profit in this sector: 9 companies had increasing profits and 5 companies had decreasing profits. In which, TRA, IMP and SPM were the companies had most outstanding revenue growth and profit growth: TRA revenue and profit went up by 58.7% and 40.4% respectively, IMP revenue and profit increased respectively 24.8% and 15.5%, SPM had revenue growth of 29% and profit growth of 37.4%. In contrast, DCL and DMC were the companies which suffered the most significant decrease in revenue and profit: DCL decreased by 17.2% in revenue and 9.9% in profit, DMC declined by 30.7% in revenue and 36.3% in profit. The leading company, DHG continued to confront with the growth problem (the revenue decreased by 8% and profit increased 8.9% majorly thanks to tax saving).

**Recommendation** We rate **NEUTRAL** with pharmaceutical sector in 2015 and recommend long term investments in IMP and TRA.

Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
TRA	1,650	146	1,860	190	7,700	10.65	2.69	73,000	74,000	82,000	16.81%	86,000
IMP	897	86	1,050	130	4,492	10.13	1.45	41,800	46,300	45,500	13.47%	50,000

Source: BSC forecast, (\*) stocks with adjusted closing price

## 12. Steel Sector

### First-half 2015 Review

The overview of steel sector in Quarter II has been more optimistic than Quarter I by dint of the increase in consumption and the slowdown of the decreasing velocity of steel price from March. However, the threat from cheap imported steel still exists when free trade agreements are officially effective.

**The consumption increased significantly by dint of the recovery of real estate and construction sectors.** According to the report of VSA the consumption of steel increased significantly as compared with 2014 in both three product lines: Construction steel, steel pipe and galvanized steel. To specify, in the first 5 months of 2015, the consumption of construction steel reached 2.5 million tons (+20.05% yoy), the consumption of steel pipe reached 537 thousand tons (+34.69% yoy), and the consumption of galvanized steel was 790 thousand tons (+19.50% yoy). HPG remained the first rank in the group of construction steel and steel pipe. HSG had the lead in the group of galvanized steel.

**Iron ore price recovered in Quarter II but the decreasing momentum might still continue.** From the beginning of the year, the ore with 62% Fe bottomed in the beginning of April and increased lightly in May and June, the reason was explained by the lowest level of reserve of imported ores from Chinese ports from 2013 to now and the delayed shipment of suppliers. However, the iron ore price is expected to continuously to decrease in next months because **(1)** The reserve in Chinese ports have increased again (now at 82.97 million tons); **(2)** The consumption of steel in China is expected to decrease sharply (the consumption in the first 5 months of the year decreased 8% yoy); **(3)** Iron ore supply will increase, majorly from Australia and Brazil.

**Two additional free trade agreements were signed – Opportunities and threats with steel sectors.** With respect to galvanized steel companies, FTAs open new markets (Russia, Belarus ...) and new low-price HRC supplying resource (Korea). With respect to construction steel companies, we believe Chinese steel will be still the major competitor because the amount of imported steel from China in the first 5 months in 2015 reached 3.05 million tons (+39.91% yoy, accounting for 57.87% total imported steel), and tax deduction schedule of FTA Asean – China which coming into force in 2018 (166/2014/TT – BTC) will be a greater threat.

### Recommendation

We remain the **NEUTRAL** rating for steel sector in 2015. In Quarter II, the performance of steel companies' stocks have recovered significantly by dint of a slowdown in the decrease of iron ore price and expectation about the operation result when constructional season started. We recommend long term, middle term investments in top stock of this sector including NKG, HSG, and HPG

Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
<b>NKG</b>	5,835	76	7,642	117	2,717	5.12	0.96	13,400	14,700	15,000	3.73%	19,105
<b>HSG*</b>	14,990	410	16,500	450	4,465	9.52	1.56	47,500	33,800	42,500	-7.21%	46,879
<b>HPG*</b>	25,525	3,250	22,500	2,300	3,117	9.27	1.56	53,000	44,100	28,900	-16.23%	31,170

Source: BSC forecast, (\*) stocks with adjusted closing price

## 13. Aquaculture sector

### First-half 2015 Review

**Aqua-exports in the first 5 months of 2015 reached 45 billion, down 16% yoy.** According to the General Statistics Office of Vietnam, exports to some main markets decreased sharply. In particular, exports to US reached \$473 million, down 29%; EU reached 443 million, down 13%; Japan reached 366 million, down 11.8% yoy.

- **Pangasius (cat fish) price continuously declined.** In the U.S. and EU markets, Pangasius exports were at a disadvantage in selling price and technical barriers. Result of 10<sup>th</sup> Antidumping Duty Administrative Review (POR 10) on frozen Pangasius fillets imported from Vietnam was one of the reasons why domestic Pangasius raw material prices fell sharply.
- **Shrimp exports in the first half of 2015 were not positive** due to shrimp production in several countries in the region such as Thailand, India recovered while shrimp import demand in main markets did not increase. Shrimp raw material prices are low. Expected shrimp prices will have not been flourishing by the year-end holiday season when world's shrimp demand rebounds.

**Exchange rate movements reduced the seafood import demand**, especially shrimp due to the high value. The USD rose against other currencies that led some major exporting countries to the US to boost exports, create abundant supply. Therefore, Vietnam enterprises were forced to reduce prices. Because VND is pegged to USD, JPY and Euro depreciated compared with the USD that made the price of goods exported to Japan and EU increased, reduced demand for seafood imports from these two large markets.

**The free trade agreement was signed that can not bring many positive changes to the aquaculture sector.** According to the VKFTA agreement, shrimp exports to South Korea will enjoy the 0% tax rate with the quota of 10 thousand tons/year and gradually increase in 5 years to 15 thousand tons/year. Under VCUFTA, tax on seafood export to Eurasian Economic Community will fall from 6% to 0% as soon as the agreement is signed. However, the rules of origin, quarantine, antibiotic concentration ... applied strictly by the major markets will remain a difficult barrier for seafood exporting enterprises in the future.

### Recommendation

We maintain a **NEUTRAL** rating for aquaculture as identified in the 2015 Sector Outlook Report. In this sector, we positively rate only few stocks (1) VHC because company is not subject to POR9 anti-dumping duties as the other Pangasius exporters to the U.S. market and (2) FMC due to increase of expected shrimp export demand in the last months of 2015, that will help improve companies' sales and profits.

Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
VHC*	6,200	445	7,130	463	4,983	7.8	2.2	37,900	37,700	38,600	1.90%	44,850
FMC*	2,862	51	3,600	77	3,870	6.1	1.8	22,800	25,900	23,100	7.94%	30,960

Source: BSC forecast, (\*) stocks with adjusted closing price

## 14. Oil & Gas Sector

### First-half 2015 Review

**Mining and manufacturing production increased slightly:** in the first 5 months of 2015, estimated mining production was estimated at 7.6 million tons of crude oil and 4.5 billion m<sup>3</sup> of gas, up respectively 7.4% and 1.6% yoy. Oil production also rose by 11.1% yoy to 2.78 million tons. However, LPG manufacturing output fell by 4.2% yoy to 301.6 thousand tons.

**The value of crude oil exports continued to fall sharply due to declining oil prices:** up to the end of May 2015, crude oil export volume reached 3.97 million tons, up 4.8% yoy. However, because the average export unit prices dropped by 48.2%, the export value only reached 1.79 billion US dollars, down 45.7% yoy.

**Oil prices rebound and relatively stable in the Q2 2015:** WTI oil price increased from 55 USD/barrel on 31 Mar 2015 to 65 USD/barrel on 24 Apr 2015 and fluctuated around this level during the rest of the quarter. Statistic of large organizations is forecasting oil prices will continue to recover in the last two quarters of 2015.



### Organizations' oil price forecast

Organization	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16
Commerzbank AG	60	72	72	72	77	77
Intesa Sanpaolo SpA	60	62	66	65	65	66
Itau Unibanco Holding SA	60	65	67	68	68	68
Citigroup Inc	61	54	53	58	63	66
Santander UK PLC	54	55	58	60	60	62
DZ Bank AG	58	68	68	65	70	70
Westpac Banking Corp	55	54	56	59	61	60
KLR Group LLC	60	65	70	75	85	90
CIBC World Markets Corp	62	70	60	68	76	78
Danske Bank A/S	65	71	72	72	73	73
Wells Fargo Securities LLC	63	65	70	71	74	73
Average	60	64	65	67	70	71

Source: BSC

**Block B - O Mon Gas Project is being prepared quickly for deployment:** after being transferred the right to exploit Block B - O Mon Gas Project from Chevron, PVN are rushing to prepare for project deployment. Specifically, PTSC (ticker: PVS) and PV Oil launched Phu Quoc Synthetic Petroleum Service Port Construction Project and Bonded Warehouse Project which aims to serve development and exploitation of gas from Block B. Also, PVC (ticker: PVX) - PVE (ticker: PVE) - Vietsovpetro signed a cooperation agreement to participate in the bidding, providing design service, onshore fabrication and offshore installation for development project of Block - B. Block B - O Mon Gas Project whose total capital of about 4.3 billion dollars is expected to deploy at the end of 2016 and the first gas will be supplied in 2017. This is a key project, help the oil and gas sector growth.



**Business performance of petroleum enterprises in the first two quarters was positive:** according to petroleum enterprises' first quarterly financial statement in 2015, except for 2 companies GAS and PVD that directly affected, business result of the rest had not been impacted by the decline of oil prices. Furthermore, as of Q2 2015, some petroleum enterprises still recorded positive business results such as PXS, PVS, PVC, PGS, CNG.

	Business activity	Revenue Q1.15 (VND billion )	%y.o.y	Earning Q1.15 (VND billion)	%y.o.y
<b>GAS</b>	Gas products	15,532	-3%	2,583	-18%
<b>PVD</b>	Drilling rigs	4,397	1%	482	-19%
<b>PVS</b>	Petroleum services	4,955	-13%	328	23%
<b>PGS</b>	Gas products	1,431	-16%	33	20%
<b>PVC</b>	Chemistry	899	7%	40	53%
<b>PVG</b>	Gas products	770	-26%	4	
<b>PGD</b>	Gas products	1,186	-19%	79	118%
<b>PXS</b>	Petroleum Equipment Assembly	464	30%	29	38%
<b>CNG</b>	Gas products	211	-9%	22	-10%
<b>PVB</b>	Pipe coating	402	124%	40	100%

### Recommendation

We maintain a **NEUTRAL** rating for oil & gas sector in the second half of 2015 and even if oil prices recover in the next 6 months, prospect of groups in this sector continues to diverge. Very few stocks may considered for the medium and long-term investment for the oil and gas stocks as follows:

- **Upstream and Midstream group:** although service prices decline, following the trend of oil prices but thanks to increasing output, enterprises like PVS and PVB are expected to maintain positive business result in next two quarters.
- **Downstream group:** thanks to the change of CNG input pricing policies (pegged to FO prices), enterprises like PGS and CNG improved profit margins. Also, trading LPG of such enterprises LPG as PGS, PVG was better than 2014.

Tic ker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closin g price 30/6/20 15	Chan ge	Target price
<b>PVS</b>	31,373	1,765	28,227	1,466	3,163	8.50	1.13	26,900	22,600	26,900	0%	30,498
<b>PVB*</b>	1,001	147	1,058	115	5,347	7.56	1.74	44,000	33,100	40,400	-8%	46,123
<b>PVD</b>	20,813	2,498	18,534	2,296	7,160	7.33	1.32	64,500	44,800	52,500	-19%	62,292
<b>PGS</b>	7,484	191	6,519	223	2,907	7.46	0.89	26,900	19,400	21,700	-19%	24,829
<b>CNG</b>	1,086	112	1,153	123	4,540	6.41	1.52	32,400	31,400	29,100	-10%	32,799

Source: BSC forecast, (\*) stocks with adjusted closing price

## 15. Fertilizer Sector

### First-half 2015 Review

**Fertilizer production increased slightly:** in the first 5 months of 2015, Vietnam produced 2.768 thousand tons of fertilizer, up 2% yoy. In which UREA fertilizer production reached 945 thousand tons, up 0.3% yoy, phosphate production reached 648 thousand tons, down 5% yoy, NPK fertilizer reached 999 thousand tons of, up 2% yoy, and DAP fertilizer production reached 176 thousand tons, up 5% yoy.

**The fertilizer trade deficit was significant:** overall first 5 months of 2015, fertilizer exports reached 356 thousand tons, equivalent to USD 129 million, fell respectively by 26% and 23% yoy. In contrast, fertilizer imports rose by 14% in quantity and rose by 13% in value to 1,650 thousand tons, equivalent to 517 million USD. In particular, UREA fertilizer imports increased 2 times higher than the same period last year in both quantity and value.

**UREA prices rebounded after falling consecutively in first 4 months:** according to the Agromonitor's statistic, urea prices have risen sharply since the end of May. However that was only a temporary price increase due to the stopping production of Phu My fertilizer plant for maintenance. Therefore, we believe that urea prices will continue to decline in long-term due to oversupply of Vietnam fertilizer market and global fertilizer market. Additionally, domestic DAP and Kali prices remained stability in the first 6 months.

**Mixed trends in business performance of the fertilizer enterprises:** while DPM had earning growth rate of 25% in Q1 2015 thanks to the benefit from the decrease of oil prices, LAS continued to decline in both revenue and earning in the first quarter due to the reduction in selling price and impact from policies that fertilizer has not been subject to VAT since Q1 2015.

	Main product	Revenue Q1.15 (VND billion)	%y.o.y	Earning Q1.15 (VND billion)	%y.o.y
<b>DPM</b>	UREA	2,324	-7%	478	25%
<b>LAS</b>	Superphosphate	1,343	-26%	77	-49%
<b>SFG</b>	NPK	476	-10%	30	7%
<b>DCM</b>	UREA	1,090		196	
<b>QBS</b>	Commerce	752		19	

### Recommendation

We maintain a **NEUTRAL** rating for fertilizer sector in 2015. We expect that low oil prices in last two quarters of 2015 will continue to help fertilizer enterprises benefit from inputs like DPM. However, we also note that the oversupply will be remained, that will make fertilizer prices continue to decline slightly in the last two quarters. Fertilizer stocks are not too attractive to investors now.

Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
<b>DPM</b>	8,980	1,129	8,134	1,231	3,108	9.55	1.27	30,800	29,200	29,700	-4%	32,700

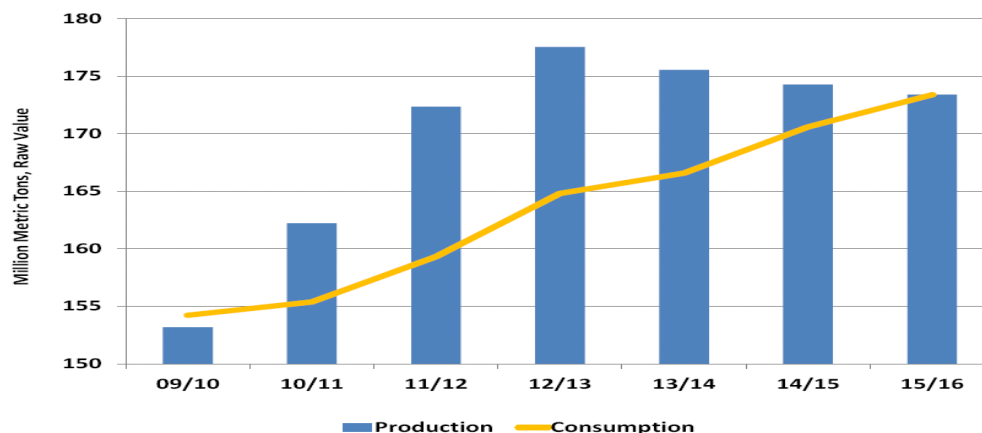
Source: BSC forecast, (\*) stocks with adjusted closing price

## 16. Sugar Sector

### First-half 2015 Review

World sugar market remained oversupply but oversupply scale is gradually decreasing, supply and demand is tending to approach each other and sugar prices may rise due to the weather's unpredictable elements. (1) International Sugar Organization (ISO) forecast sugar trade surplus of the 2014 - 2015 crop will reach nearly 2.1 million. The reason is that sugar exports can rise by 1.1 % to 58.7 million tons compared to 2013 – 2014 crop, while sugar imports forecast fell by 1.8% to 56.6 million tons; (2) ISO expected that world sugar consumption in 2014 - 2015 crop will reach 182.45 million tons, up 2.07% yoy. Thus sugar output may exceed consumption by 1.3 million tons in the next season; (3) Sugar market affected by using USD exchange rate to settle future contracts. (4) Prices may increase if the unexpected factors such as weather or disasters appear and make supply and demand balance in favor of demand. The drought caused by El Nino 2014 strongly affected the supply of sugar from Thailand and Brazil. According to weather experts, El Nino may strengthen in the end of year, contributing to soaring sugar prices (maybe).

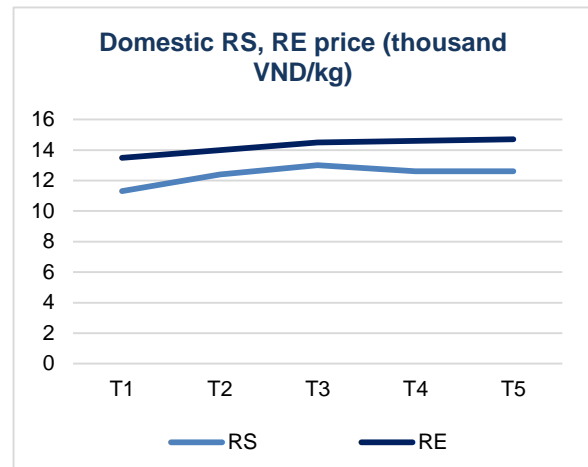
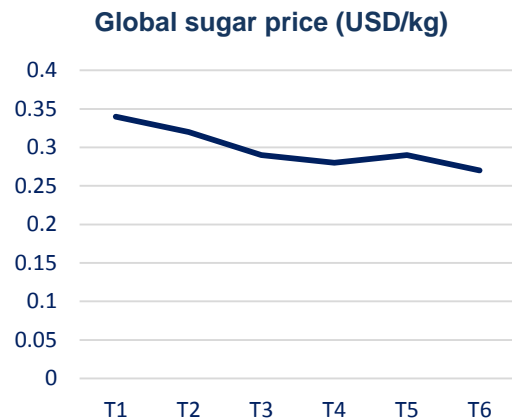
Estimated supply – demand in global sugar industry 2015



Source: USDA

**Domestic supply is still forecast to exceed demand, but oversupply scale size is decreasing.**

According to the Vietnam Sugar and Sugar Association, estimated sugar production of 2014 – 2015 crop will be high, around 1.6 million tons despite the reduction of cane growing area. Currently, there are over 300,000 hectares of cane growing area with average yield of 65 tons/hectare. Also, the number of plants is limited to 2020 by Decision No. 26/QĐ-TTĐ. Expected RE sugar demand will grow more than RS sugar due to launching new plants and increasing capacity by beverage and confectionery manufacturers (Tan Hiep Phat, Vinasoy, Vinacafe ...) while RS sugar factories will increase their capacity (NHS, LSS ...) and be competed by smuggled sugar from Thailand.



Sources: GSO, Agro, BSC collection

### Recommendation

In 2015, we upgrade the sugar sector's rating from **NEGATIVE** to **NEUTRAL** due to strong restructuring of this sector through M&A, investment support from Ministry of Industry & Trade, export support from Government and the El Nino phenomenon. Some notable leading stocks include LSS, SBT, NHS:

- **SBT**: is the largest sugar company in the Southeast now with affiliated companies are the sugar companies such as BHS, LNS, Nuoc Trong Sugar, TTC Sugar. Gross profit margin is expected to reach 11.3% compared to 10.3% of last year due to benefit from rising domestic sugar prices.
- **LSS**: The capacity increase project of RE refined sugar from 50% to 80 RE% operated from Dec 2014. Meanwhile, RE sugar demand in the North is forecast to increase due to the launching of first phase of Tan Hiep Phat beverage manufacturing plant in Ha Nam, second phase is expected to complete in 2017. Business performance is forecast to be better. The main reason is that RE sugar price remained rising trend since the beginning of the year.
- **NHS**: The merger with BHS will help NHS join the wider distribution network in the South. NHS is building a sugar processing line with capacity of 400 tons/day which is expected to start selling RE sugar from 2016. In addition, the NHS began producing high quality RS sugar whose price is better from the 2014 – 2015 crop. Expected increase in revenue and gross profit margin of NHS in 2015 – 2016 crop is positive.

Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
<b>SBT</b>	1,958	120	2,001	131.5	1,256	11.6	1.14	12,900	10,900	13,700	6.20%	N/A
<b>LSS</b>	1,738	46	1,884	81	1,164	8.5	0.45	9,500	8,300	10,400	9.47%	N/A
<b>NHS</b>	1,086	46	1,110	75	1,234	11.9	0.9	12,500	10,400	13,500	8.00%	N/A

Source: BSC forecast, (\*) stocks with adjusted closing price

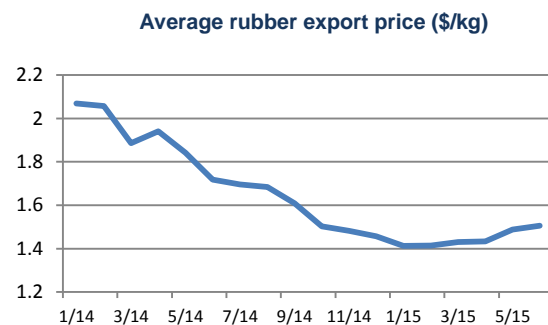
## 17. Rubber Sector

### First-half 2015 Review

**Rubber export production in Q2 2015 reached 228 tons, up 17% yoy.** Since 1 July 2015, China has applied a new standard for mixed rubber, allowed natural rubber content decreased from 95-99% to 88%. The types of mixed rubber whose natural rubber content is higher than 88% will be imposed the tax rate of 20%, instead of 0% as before. To take advantage of lower tax rate, the Chinese tire enterprises boost rubber imports in the last quarter, this helped increase rubber export output of Vietnam in Q2. Compared to Q2 2014, exports to China rose 30%, and now accounts for nearly 50% of the Vietnam's rubber exports.



Source: Bloomberg



Source: Bloomberg

**Rubber export price and domestic purchase price increased slightly in Q2 2015 but remain below 19% compared to the same period in 2014.** Rubber export demand increased that helped Vietnam's exports rose 4% from the begin of the year, from \$1.42/kg to \$1.48/kg. Meanwhile, domestic purchase price increased by 6% for SVR10, and 9% for SVR3L. The increase of rubber purchase price was higher than the increase of export price that put exporting enterprises at a disadvantage.

**Listed rubber enterprises recorded not positive business results in Q1 2015.** Although high purchasing volume and production, revenue and profit of listed companies decreased by -37% and -45%yoy respectively. Only 2 in 5 companies recorded earnings growth (HRC and TNC) mainly due to profit from liquidating rubber growing area while the core business activity in Q1 2015 lost.

### Recommendation

We maintain a **NEGATIVE** rating for rubber sector in Q3 2015. The demand's reduction from China will put pressure on rubber prices to decrease and create disadvantages for the companies, rubber prices recovered slightly in short-term but is still in the long-term downtrend.

Ticker	Rev 2014 (bil dong)	EAT 2014 (bil dong)	Rev 2015E (bil dong)	EAT 2015E (bil dong)	EPS 2015	P/E F 2015	P/B F 2015	Closing price 31/12/14	Closing price 31/3/15	Closing price 30/6/2015	Change	Target price
DPR*	1.002	213.5	667	127	2.953	11	0.6	38,000	34,500	31,900	-12.60%	N/A
TRC*	596	139.4	474	42.5	1.417	18.2	0.51	28,400	26,200	25,200	-2.33%	N/A

Source: BSC forecast, (\*) stocks with adjusted closing price

### III. INVESTMENT STRATEGY 3Q 2015

The leading role of foreign capital flow and banking stocks was undeniable as we expected in the first half. Although VN-Index is gradually conquering the resistances at old peaks, the domestic cash flow slidely reduced and affected the mid and small cap stocks. There will be still short-term risks if the international news affects the buying trend of foreign capital flow including the Fed's ability to raise interest rates in September, Chinese stock market bubble, EU and Greece. Vietnam Stock market still looks attractive among emerging and frontier markets in the third quarter. However, choosing the right sectors and potential stocks will continue to be a major challenge not only for individual investors.

#### BSC updates investment themes of 2015

In the first 6 months of 2015, banking sector led the market rally as we expected. The investment theme mentioned in 2015 Sector Outlook Report and Sector report Q1 2015 had notable returns in 6M 2015. We still believe these investment themes should be considered:

- **"Firstly, the revival of Macroeconomics was clearer".** The macroeconomic indicators continued to show economy's steady growth. GDP of 6 months increased by 6.82% compared to 2014, the CPI remained at a low level, PMI continuously remained above the 50 points level. Sectors which are sensitive to economic cycle, such as **Banking, Insurance, Real Estate** will first benefit from this recovery.
- **"Secondly, Real Estate warmed again, soaring liquidity."** The transactions volume rose sharply in two big cities: in Hanoi, there was 7,500 successful transactions (up 2.5 times yoy) while in HCMC, there was 7,050 transactions (up 2.8 times yoy). The recovery and growth of real estate sector led to the growth of the **Construction and Building Materials**.
- **"Thirdly, energy prices decreased and electricity prices increased."** Electricity prices officially rose by 7.5% on 16 Mar, while the decline of energy prices is ongoing. Falling oil prices and other raw material will support sectors such as **Plastic, Transport, Fertilizer** enterprises and indirectly affect to **Consumer** enterprises through people's purchasing power increase.
- **"Fourthly, ECB and JCB loosed monetary, EUR and JPY depreciated".** The dollar continued to appreciate against the EUR and JPY in the first 6 months. However, the USD/EUR is expected to fluctuate significantly in the last 6 months because the Eurozone are influenced by both positive factors (economic recovery) and negative factors (Likelihood of Greece leaving from the European Union). We believe that investors should closely observe the exchange rate movemants before investing in the sectors which had large foreign currency debt as **Cement, Electric Power**.
- **"Fifthly, the free trade agreements (FTA)".** In the first 6 months, Vietnam signed FTAs with South Korea, the Eurasian Economic Community and is expected to complete TPP in the end of 2015. The sectors whose large export turnover will receive positive impacts from the FTA: **Textile, Aquaculture, Footwear, Automobile Trading** ... while competitive pressures will increase in sectors such as **Steel, Fertilizer, Sugar, pharmacy**... and sectors will benefit indirectly include **Marine Shipping, Seaport and Industrial Zone**.

## Besides above themes, BSC assesses new investment highlights

### Sectors are added to the POSITIVE grade rating:

- **Information Technology:** We expect the IT sector will grow in step with the recovery of the economy. The main fields include **(1)** Vietnam's Software Solution is being known as an India + 1 with attractive cost **(2)** Integration overcame difficult period thanks to the increase in disbursement of domestic business sector and Government sector (Decision No. 80/2014/QD-TTg on IT leasing services in state agencies officially took effect on 15 Feb 2015) and **(3)** Telecommunication: beside the AAG international network is being exploited, in the end of 2015, there will be have APG undersea cable network (contributed by Viettel - FPT - CMG), creating motivational growth for telecommunication enterprises together with recovery demand.
- **Seaport:** **(1)** import-export activities expected to maintain high growth thanks to the signing of free trade agreements; **(2)** Infrastructure investment is being promoted; **(3)** Efficient port utilization can be improved thanks to the strong participation of the private sector; **(4)** The seaport companies are undervalued compared with potential growth. Details of BSC's assessment in this sector, investors may refer to the BSC Seaport Sector Report.
- **Insurance:** rising phase of insurance stocks may come in near future when this is the last sector in the Finance Subdivision have not strongly recovered as Banking, Securities and Real Estate. **(1)** Insurance sector recovered together with macroeconomics; **(2)** Penetration of non-life insurance in Vietnam remained at 0.7%; **(3)** Free trade agreements will boost insurance demand as cargo, shipping, shipbuilding, automotive insurance ... **(4)** Stricter legal provisions on insurance; **(5)** Improved investment performance due to the recovery of stock market. Details of BSC's assessment in this sector, investors may refer to the BSC Insurance Sector Report.

**The impact of Decree No. 60 to listed shares' room:** reviewing existing stocks whose foreign ownership ratio is close to or equal to the current ceiling rate stipulated by the Government showed that only 13/37 shares potentially open room includes some stock groups such as Textile (TCM, EVE, KMR), Securities (HCM, SSI, VND). However, some sectors like Oil and Gas (PCG, ASP), Utilities (REE), Basic Telecommunication Services (FPT), Logistic (VSC, GMD), Dairy (VNM) will be still imposed 49% ceiling for foreign ownership ratio. There is still a need for more guiding circulars from the Ministry of Finance and list of 267 conditional investment sectors are being reviewed by Ministry of Industry and Trade. Details of BSC's assessment in this topic, investors can refer to the BSC reports on Amending and Supplementing Decree No. 58 and Amending and Supplementing Decree No. 60

**Risks from China stock market:** If China stock market crash, the impact could spread to the entire economy and other countries when a large segment of investors will be seriously damaged to property. This will directly affects the demand for goods in China, especially China is the largest importing country for commodities which are inputs to production such as iron ore, coke and oil. Greatest pressure will be put on the basic material industries such as steel, copper, rubber ... and will indirectly affect to marine shipping. However, foreign investment outflows from China stock market will seek investment



opportunities in other countries and Vietnam can benefit from this trend, BSC will continue to monitor and assess further movements and impacts from China stock market.

### Sectors for the next 6 months

We maintain **POSITIVE** rating for the sectors: **Banking, Real Estate, Construction, Building materials (Cement), Textile, Electric Power, Tire**, adding **Seaports, Insurance** and **IT**. We upgrade **Sugar** and degrade **Marine shipping** sector rating. We believe that **real estate sector** will be the second leading industry. Among the new sectors updated, **IT & Telecom** is our favorite. According to seasonal factor, the last 6 months is also the time of increase in revenues and profits of industries including **Textile, Aquaculture, Marine Shipping, Building Materials, Real estate** and **Construction**.

#### Update Sector Outlook and notable stocks in 2015

	Sector	2015 Rating	Middle and long-term Recommendations	Sector movements in 1 <sup>st</sup> H2015
1	Banking	Positive	VCB, BID, MBB, CTG, ACB	26.7%
2	Real Estate	Positive	VIC, DXG, KBC, KDH	2.3%
3	Construction	Positive	HBC, CII, LCG; HUT	7.1%
4	Cement	Positive	HT1, BCC, BTS	8.4%
5	Textile	Positive	TCM, TNG, STK	10.1%
6	Electric Power	Positive	NT2, SHP	-7.6%
7	Tire	Positive	DRC, CSM	-6.5%
8	Insurance	Positive	BIC, BMI	27.7%
9	IT & Telecom	Positive	FPT, CMG, ITD, HIG	30.8%
10	Seaport	Positive	VSC, HAH, GMD	10.6%
11	Marine Shipping	Neutral (Down)	VOS, VTO, PVT	-6%
12	Plastic	Neutral	NTP, BMP	4.4%
13	Pharmaceuticals	Neutral	IMP, TRA	-1.2%
14	Steel	Neutral	NKG, HPG, HSG	-14.1%
15	Aquaculture	Neutral	VHC, FMC	-11.3%
16	Oil & Gas	Neutral	PVS; PVD; PVB; PGS; CNG	4.4%
17	Fertilizer	Neutral	DPM	-14.6%
18	Sugar	Neutral (Up)	LSS, SBT, NHS	19.8%
19	Rubber	Negative	DPR, PHR, TRC, HRC	-8.9%

Source: BSC forecast

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