

Mon, July 4, 2016

Vietnam Daily Review

Continueing excitement

BSC's Forecast on the stock market

	Negative	Neutral	Positive
Day 27/6/2016			•
Week 4/7-8/7/2016		•	
Month 6/2016		•	

Highlight

The excitement from the beginning of July were followed today, with strong momentum from bluechips which highlighted VCB, the market brokeout strongly to new 8 year high at 648 pts. After Circular 203 took effect, securities group seemed attracting cash flow when leading stocks such as HCM, SSI and VND rose to ceiling. The rise of the blue chip were also evenly spreaded out to other group as a high level of cash flow was evenly distributed. The stocks was updated and recommended by BSC such as SMC and SVC reached to ceiling. Similar movements were seen in HNX-Index and Upcom-Index but with weaker rose. Activities of foreigners were not too exciting today.

Recommendation

The market continued to enjoy a positive first session accompanied with increased prices. Closing the session, the VN-Index increased by 7.66 points (1.2%) to 647.96 points, highest level in nearly 10 years. Though not continuously conquering previous peaks like VN-Index, HNX-Index also rose by 0.66 points (0.77%) to 85.81 points. Many sectors enjoyed growth such as Steel, Real Estates and Construction group such as HUT, SJS, VC2, VCG ..., which were recommended in the report last week, and secutities stocks with expected positive business results in Q2 . The market also received positive support from large cap stocks to rise firmly. VN-Index is trading near the upper bound of medium term bullish channel and is expected to continue to go up. Investors can continue to increase the proportion of shares in the correction session.

Company Updates - QHD - Viet- Duc Welding Electrode Jsc. (HNX)

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VN-INDEX **647.96**
Value: 2480.29 bil **7.66 (1.2%)**
Foreigners (net): -VND 11.09 bil

HNX-INDEX **85.81**
Value: 647.09 bil **0.66 (0.78%)**
Foreigners (net): -VND 9.63 bil

UPCOM-INDEX **58.27**
Value 122.28 bil **0.26 (0.45%)**
Foreigners (net): VND 3.97 bil

Macro indicators

	Value	% Chg
Crude oil	49.2	0.4%
Gold	1,350	1.2%
USDVND	22,303	0.0%
EURVND	24,797	-0.3%
JPYVND	21,739	0.0%
1-month Interbank rate	2.4%	-
5yr VN Treasury Yield	6.1%	-

Source: Bloomberg, BSC Research

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This report must be read with the Disclosure, located at the end of this report.

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Market highlights

After the positive session last Friday, VN-Index started this week at the 8 year high level but had strong rise immediately after opening up to 645 points. Although profit-taken selling caused the index to correct in the morning but strong demand pulled VN-Index back to 645 pts. In the afternoon session, strong cash-flow was poured into market to help create new peak at 648 pts today. New highs achieved thanks to most of the bluechips were up strongly while VCB lead the market, though most of banking group were traded moderately. Momentum from VCB, GAS, VNM and VIC spreaded to all other groups, including the most significant rise was seen in small-cap. After 203 circular took effect from July and a number of securities firms started to deploy the service to buy - sell the stock in same day, market liquidity in the first two sessions always remained high. Market breadth remained positive with gainers (159) doubled the decliners (76). The securities were the strongest gainers today as the leaders such as HCM, SSI and VND gained to the ceiling. Besides, steel group with mid-cap stocks such as TLH and VIS reached to ceiling from beginning of session as long as Construction VCG and PXS. SMC and SVC, updated and recommended by BSC, also had impressive ceiling gains.

On HNX, Index had weaker rise even following similar movement to HOSE, due to drag of ACB. VCG had a good rally to support the market and also accounted for high proportion of total trading value today. Notably, liquidity on the HNX improved significantly. Similarly, Upcom-index also increased slightly with higher liquidity, SWC and GEX were the most actively traded this exchange.

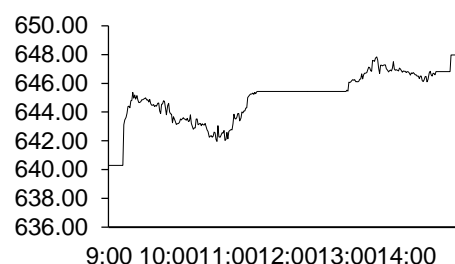
Foreigners had a quiet trading session as they only reduced their position marginally on 2 exchanges.

Recommendations

It is expected that the market will soon have a technical correction in the next sessions, however, the technical correction could be an opportunity to increase the shares in portfolio. The Real Estates stocks, Construction, Steel and Plastic and LargeCap stocks may continue to be the focus of the market when they are having a better movements than others.

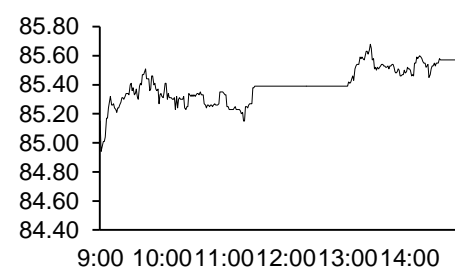
Investors who are interested in world commodity prices such as gold and oil prices can refer to the technical views in our last report as the movement of the price of gold and oil are quite close to the view.

Exhibit 1



Source: Bloomberg, BSC Research

Exhibit 2



Source: Bloomberg, BSC Research

Exhibit 3

Top 5 volume leaders

Ticker	Volume	Price	% Chg
FLC	11.48	6.1	3.39
VHG	5.32	4.6	6.98
SSI	4.67	22	6.8
HPG	4.43	39.9	0.25
HSG	4.16	44	4.76

Source: Bloomberg, BSC Research

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Company updates

QHD - Viet- Duc Welding Electrode Jsc. (HNX)

Now, QHD has 2 factories with capacity of 14,000 tons of welding rod and 8,000 tons of welding wire. This calculate for working time of 8 hours/day in both factories, if market demand increases, QHD will able to do all 3 shifts/day, capacity ups to 20-25 thousand tons of welding rod.

Business result 2015 - Impressive growth: Sales volume in 2015 reached 11,998 tons of welding rod (+42.85% yoy) and welding wire reached 2,862 tons (+25.64% yoy). Net sales 2015 reached VND308.37 billion (+27.03% yoy), gross profit margin 2015 reached 20.31%, downed slightly from 20.43% of 2014 by applying under the circular 200. PAT 2015 reached VND32.39 billion (+87.65% yoy), due to growth from shipbuilding customers, operating costs were significantly reduced, the total of interest expenses and SG&A expenses accounted for only 6.93% net sales 2015, while they accounted for 11.18% of net sales 2014.

Business results update: in Q1/2016, the total consumption reached 4,000 tons (accounted for 26.92% of total quantity in 2015), of which about 3,200 tons of welding rod and 700-800 tons of welding wire. Net sales reached about VND80 billion, PBT VND12-13 billion (+79.42% yoy) by 30.1% of PBT 2015. This was an impressive business results, growth potential might come from real demand or speculation after Ministry of Industry and Trade applied steel safeguard duties.

Output of products: primary market of QHD is the Northern, market share of about 30-40%. About welding wire (FDI's favorite), FDI customers account for 40% of consumption, in which is mainly Honda. Besides the traditional customers of shipbuilding, oil and gas pipeline, QHD consumption will be directly affected by the growth of domestic automotive sector when the special consumption tax for imported cars going into effect from July 1 2015 (which may increase the demand for domestic cars)

Investment highlights:

- **QHD is the leading enterprise in the production of welding rod and welding wire when it accounts for over 30% market share in the Northern.** Company's products support for almost all industries such as: shipbuilding, machinery erection, cars/motorbikes manufacturing, pipeline installation...
- **Compared to other firms, QHD has the advantage of lower production costs because they have the ability to produce electric coating (one of two main elements to create a welding rod) and machines almost fully depreciated;**
- **With existing factory, QHD can easily expand capacity as needed in a short time;**
- **Positive growth outlook with:** (1) Welding rod output is expected to reach 14,000 tons (+16% yoy), and welding wire of 3,000 tons (+14% yoy), PAT 39 billion (+20% yoy) EPS 2016 ~ VND9,285 dong thanks to strong growth in shipbuilding, car production,... (2) Introducing new type of products with high profit margin: QHD will invest in new plant with capacity of 1000-2000 tons/year to manufacture a 71T welding wire, selling price will be around VND30-35 million/ton (selling price of normal product N46 is approximately VND20-22 million/ton). This product is in high demand, domestic units have not yet produced themselves. Company has the plan to issue 30% new shares for existing shareholders at VND10,000/share, before issuing shares will pay 25% cash dividend.
- **Risk:** As the steel safeguard duties are effective, total import taxes for steel core (the most important input for manufacturing) will be 19.2% (in the previous it was 5%). However the import tax of welding finished products from China remains at 0%.

Stock recommendations

Short-term portfolio

No.	Ticker	Date	Buy price	Current price	Unrealized gain/ loss	Cutlosses	Target
1	CVT	3/6/2016	26.8	33.1	23.5%	24.9	30.0
2	HHG	3/6/2016	8.9	9.7	9.0%	8.3	10.0
3	GTN	21/3/2016	15.8	20.6	30.4%	14.7	17.7
4	TMS	9/5/2016	66.5	63	-5.3%	61.8	74.5
5	NCT	9/5/2016	112	114	1.8%	104.2	125.4
6	CTI	27/5/2016	24.3	27.7	14.0%	22.6	31.8
7	S55	13/6/2016	45.5	48.6	6.8%	42.3	51.0
8	HVG	13/6/2016	10.4	9.8	-	-	-
9	HTL	17/6/2016	94.0	98	4.3%	83	105
Average					10.6%		

Source: BSC Research

CANSLIM portfolio

No.	Ticker	Date	Buy price	Current price	Unrealized gain/ loss	Cutlosses	Target
1	MBB	27/4/2015	13	15	15.4%	13	15.6
2	CMG	16/10/2015	14.6	14.3	-2.1%	17	17.5
3	DAG	10/6/2016	12.2	12.3	0.8%	11	15.0
4	CTD	29/4/2016	168.5	195	15.7%	157	202
5	TTC	27/5/2016	21.7	25.7	18.4%	20	26.0
6	BIC	17/6/2016	22.1	24.8		21	27
Average					9.7%		

Source: BSC Research

Market statistics

Top 5 leaders on the HSX

Ticker	Price	% Chg	Index pt	Volume
VCB	49.2	3.58	2.296	1.21MLN
VNM	145	1.4	1.217	878780
GAS	66.5	1.53	0.97	204330
SSI	22	6.8	0.341	4.43MLN
Ticker	Price	% Chg	Index pt	Volume
LGC	21.6	-6.09	-0.137	61210
TMP	26	-4.76	-0.046	1060
PAN	43.3	-1.37	-0.031	115000
GTN	20.6	-1.9	-0.03	737590
NT2	35.2	-0.56	-0.029	610490

Top 5 gainers on the HSX

Ticker	Price	% Chg	Index pt	Volume
MDG	15.3	6.99	0.006	131440
HCM	32.2	6.98	0.135	1.73MLN
VHG	4.6	6.98	0.023	4.67MLN
SVC	54	6.93	0.044	325170
DCL	26.3	6.91	0.035	1.40MLN

Top 5 losers on the HSX

Ticker	Price	% Chg	Index pt	Volume
VNH	0.9	-10	0	9870
BTT	35.6	-6.32	-0.013	13980
D2D	30.6	-5.26	-0.009	2760
VPS	19.8	-4.81	-0.009	50
VOS	2.1	-4.55	-0.007	10470

Source: Bloomberg, BSC Research

Top 5 leaders on HNX

Ticker	Price	% Chg	Index pt	Volume
PVR	3.4	9.68	0.07	100
KKC	14.5	5.84	0.069	5800
AAA	24.1	7.11	0.041	1.12MLN
VBC	70.5	5.22	0.036	2400
Ticker	Price	% Chg	Index pt	Volume
SGO	3.8	-2.56	-0.049	206800
TV2	92.1	-0.97	-0.02	1700
NTP	58.8	-0.17	-0.016	6100
PVG	7.7	-1.28	-0.012	26600
L14	79	-4.7	-0.011	800

Top 5 gainers on the HNX

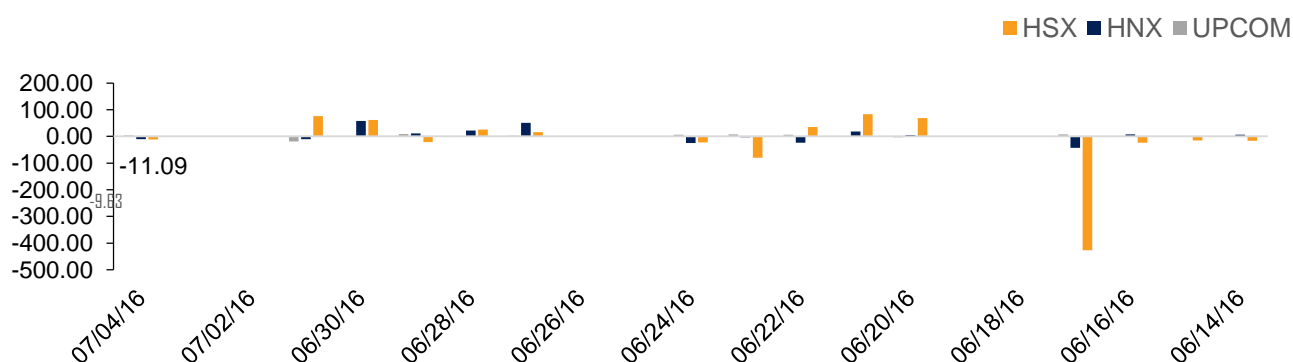
Ticker	Price	% Chg	Index pt	Volume
SIC	12.2	9.91	0.004	2500
TV3	54.4	9.9	0.018	200
PEN	9	9.76	0.021	2900
PVR	3.4	9.68	0.07	100
TFC	22.7	9.66	0.014	23900

Top 5 losers on the HNX

Ticker	Price	% Chg	Index pt	Volume
GMX	21	-9.87	-0.005	3200
ONE	9.1	-9.9	-0.003	31100
DID	4.6	-9.8	-0.002	10100
NHA	9.3	-9.71	-0.005	100
KMT	5.8	-9.38	-0.004	500

Exhibit 3

Foreign transaction



Source: HSX, HNX, BSC Research

Disclosure

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).

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