

Wed, July 27, 2016

Vietnam Daily Review

Strong rebound

BSC's Forecast on the stock market

	Negative	Neutral	Positive
Day 27/07/2016			•
Week 25/7-29/7/2016		•	
Month 7/2016		•	

Highlight

On the global macro views, in the next 2 days, we will receive the decisions on the monetary policy of the US and Japan. In the US, Fed which still has concerns following Brexit shadow, will be hard to raise interest rates the second time in this July meeting. While in Japan, Bank of Japan seems to consider the "helicopter money" policy, in which the central bank policy directly funds government spending. This capability appeared after Japanese Finance Ministry decided not to sell 50-year bonds.

Winning in parliamentary elections earlier this month, Prime Minister Abe has condition to pursue his economic stimulus. Program to buy government bonds is closing to limit, to pursue the goal of recovering economy, Prime Minister Abe should provide an alternative solution for QE and it might be "helicopter monetary" policy along with new stimulus package. In a statement today, Prime Minister Abe announced scale economic stimulus package will be around 28 trillion yen (equivalent to 265 billion dollars), much larger than previously expected number.

Recommendation

The market rebounded since the early hours of the morning session and closed at the highest level of the day at 656.1 (+ 16.1%), trading volume increased compared to the previous session although still lower than the 10-day average. Cash flow becomes more active, trading on bank stocks such as VCB, BID, CTG and representative of the steel industry HPG surged, supporting VN-Index. On the other hand, though prices of Blue-chip such as HSG, PVD, GAS recovered, trading volume did not increase correspondingly. Today's trading session showed positive signals such as (1) the trading volume and price recovered, (2) VN-Index closed at its highest level of the day, (3) the market was driven by the Largecap stocks, (4) good reaction near supportive zone 645, hence, VN-Index is expected to continue to rebound in the next session to test resistance at 660.

Company updates - VCA - Vicasa Steel Jsc.
(UPCoM)

Company updates - HPG - LCG -
Licogi 16 Jsc (HOSE)

BSC RESEARCH

Head of Research

Tran Thang Long
longtt@bsc.com.vn

Macro & Market Team

Bui Nguyen Khoa
khoabn@bsc.com.vn

Vo The Vinh
vinhvt@bsc.com.vn

Do Nam Tung
tungdn@bsc.com.vn

Pham Anh Quang
quangpa@bsc.com.vn

VN-INDEX **656.11**
Value: 1934.42 bil **7.52 (1.16%)**
Foreigners (net): VND 157.459 bil

HNX-INDEX **83.7**
Value: 452.95 bil **0.18 (0.22%)**
Foreigners (net): VND 6.15 bil

UPCOM-INDEX **56.25**
Value 58.68 bil **-0.23 (-0.41%)**
Foreigners (net): VND 3 bil

Macro indicators

	Value	% Chg
Crude oil	42.7	-0.5%
Gold	1,320	-0.1%
USDVND	22,305	0.0%
EURVND	24,520	0.0%
JPYVND	21,130	-0.9%
1-month Interbank rate	0.0%	-
5yr VN Treasury Yield	6.2%	-

Source: Bloomberg, BSC Research

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

Pham Anh Quang Vo The Vinh

quangpa@bsc.com.vn vinhvt@bsc.com.vn

Market highlights

After fluctuating around the level of 650 points in few sessions, today VN-Index surged strongly by 7.52 points, closed at 656.11 points. Most of the pillar stocks on HOSE gained, except MSN. In which two banking stocks VCB and CTG had the strongest increase, both gained more than 2%.

The positive point is that the gaining momentum were not just in the blue chips as low prices level attracted cash flow. This was shown in the significant improvement of liquidity associated with positive market breadth with 232 gainers/174 losers on both exchanges.

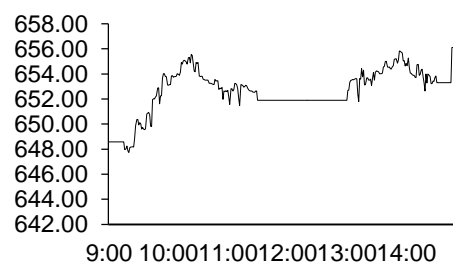
The recovery spread to many sectors in the market, in which Steel stocks are highlight. The information of Q2 earnings results continued to show the impact when mutation profits helped some stocks to gain as LIX, VIT, AAA. Conversely, some penny dropped sharply as ITA, TSC, FIT, FLC. Foreign investors bought strongly HPG, VNM, PVT, CTG, while FLC was unexpectedly strong sold an amount of more than 4.6 million units.

The weak movement of pillar stocks caused HNX-Index to rise for only 0.21% today - much weaker than the VN-Index. On UPCOM, MSR also slumped along with the parent company MSN because of the information about the inspection in Nui Phao project.

Recommendations

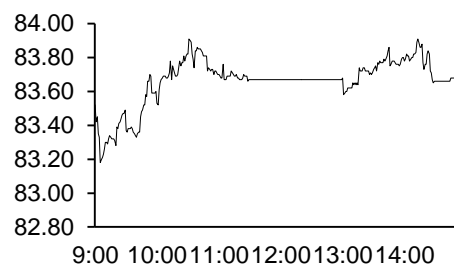
On a technical perspective, the indicators have become better when + DI crossed -DI from below, RSI going upward to the trendline. However, today's session was only considered technical rebound and VN-Index needs clearer signals to determine the trend. Support and resistance of VN-Index are at 650, 660, of HNX-Index at 83, 84.5. As expected yesterday, seafood, real estate and construction materials stocks were better than the general of the market today. Investors can continue paying attention to real estate and building materials stocks when their movement is expected to remain positive in the next session.

Exhibit 1



Source: Bloomberg, BSC Research

Exhibit 2



Source: Bloomberg, BSC Research

Exhibit 3

Top 5 volume leaders

Ticker	Volume	Price	% Chg
ITA	9.43	5.1	-5.56
FLC	9.06	5.8	-3.33
HPG	7.31	43.2	2.13
KBC	5.29	17.1	0.59
FIT	4.61	7.5	-3.85

Source: Bloomberg, BSC Research

Luong Thu Huong
Equity Analyst
huonglt@bsc.com.vn

Company updates

VCA - Vicasa Steel Jsc. (UPCoM)

Q2/2016 earnings update: Consumption amount in the first 6 months of 2016 reached about 66 thousand tons (compare with 59 thousand tons in 2015). 6-month net revenue reached 694.75 billion dong, -8.48% YoY due to the decrease of steel price compared to the same period in 2015, the average selling price in 6 months is 10.5 million dong/ton during the same period of 2015 is 12.5 million dong/ton. 6-month earning after tax reached 22.17 billion dong (+ 7.37% YoY), 6-month EPS = 1,459 dong (+ 7.36% YoY).

The positive earnings growth in Q2 was mainly driven by the reversal of interest expense of 930 million dong (accrued but outstanding loans plummeted during the period) and the reversal of trademark costs of 3.08 billion dong (accrued from January but did not used).

Business activities: Total design capacity of VCA is 150,000 tons of steel billet and rolled steel, the maximum capacity can reach 160,000 tons/year. The production amount of 2015 are 143,145 tons of steel billet and 122,578 tons of finished product. Consumption amount reached 123,414 tons of finished product and 17,113 tons of steel billet. The consumption plan of 2016 are 130,000 tons of finished product and 15,000 tons of steel billet, so if there is no investment for capacity, VCA can grow for 23.08%.

About the supply of raw materials, VCA uses scrap steel in the country, the rate of production is 1.16 tons raw materials to 1 ton of product. Unlike some companies have similar production technology, VCA does not import billet to roll for optimizing profitability, while maintaining a stable two stages to ensure jobs for workers (this is a disadvantage of state enterprises).

About production, new technology was transited in 2015. The gross profit margin reached 7.11% in 2015 while reached only 3.41% in 2014, VCA stopped using the method of rolling through the kiln using CNG, replaced by rolling through the furnace. Using CNG costs about 450-500 thousand VND/ton while the cost of the electric furnace is only about 150 thousand dong/ton, thus help to reduce costs.

On the output of products, almost all products are consumed through VNSteel - V Steel brand. Annually, The VNSteel Corporation will coordinate steel production at subsidiaries depending on the market and the production capacity. Thus VCA has no bad debt risks; however, it cannot be active in promoting the consumption.

On 27/07/2016, VCA's shares were traded at 10,900 dong, trailing PE = 4.36x, PB = 0.76x. Investment view:

(1) Turnaround point is 2015 when earning was improved sharply due to the conversion of production technology.

(2) Growth prospects will mainly come from the increase of production and consumption. However, the distribution and consumption are depended on VNSteel.

(3) Benefiting from positive prospects of the Steel Sector

Luong Thu Huong*Equity Analyst*huonglt@bsc.com.vn

Company updates

LCG - Licogi 16 Jsc (HOSE)

Highlights in the second half of 2016:

- (1) Binh Tien Route Project will be announced on August 15th.
- (2) Properties revenue recognition: LCG is expected to recognize 236 billion dong of real estate revenue in the second half of 2016 from Hiep Thanh Project. In December 2016, LCG will increase capital in Hiep Thanh to 100% and complete legal procedures for ground properties recognition, gross margin of the project is about 20%.

The decrease in 6-month earnings of 2016 compare to the same period of 2015 is due to lower revenue from construction activities. Consolidated 6-month revenue of 2016 reached 373.55 billion (-40.90% yoy) and consolidated profit after tax reached 20.59 billion dong (-27.08% yoy), completed 41% of the plan.

Proportion of consolidated revenue in the first half of 2016:

- Construction: 310.08 billion dong (First half of 2015 reached 614.16 billion dong).
- Real estate: 9.6 billion dong
- Financial activities: 10.31 billion dong
- Liquidation of assets: 33.9 billion dong
- Others: 9.65 billion dong

Continue the restructuring process in 2016. LCG targeted to divest from real estate projects and liquidity assets to take cash and focus on construction projects. In the first half of 2016, LCG recognized 39.35 billion dong of revenue from restructuring activities, the remaining of 64.05 billion dong will be recognized in the second half of the year, including 49.05 billion dong from Nam An Project (breakeven) and 15 billion from Phuoc Thien Project. In addition, expected in late of 2016, LCG will totally divest from Licogi 16.1 and increase the percentage of holding in The 12th Commercial and Construction Ltd. to 80%.

Cash flow will be improved, focus on the last 6 months of 2016. Expected cash flow include: (1) Cash flow from the liquidation of assets in Q3 and Q4 is 64 billion dong, (2) Cash collected from Formosa on 02/07/2016 is 43.5 billion dong, (3) Cash flow expected to collect from Formosa is 130 billion dong (the workload for Formosa are being completed and going to be handover and accepted) and (4) The Project of Renovating old apartment in Khuong Thuong, worth 120 billion dong, has collected 50 billion dong and expected to collect the remaining of 70 billion dong in September. Thereby LCG will have additional cash flow for investment.

Focus on core activity as construction. LCG is currently bidding for 7 projects, in which two major projects are almost succeeded as (1) Binh Tien Route Project (Ho Chi Minh City) and (2) The South Hoi An Casino Project (worth 50 billion).

With Binh Tien Route Project: Expected contract value is 703 billion dong, construction progress is from 01/12/2016 to 31/11/2018; This project is a joint venture between BCI (5%) and LCG (95%), is expected to be announced on 15/08/2016. Total length of the route is 1.9km, of which 1.4 km pass through BCI's project. Value of compensation for clearance is about 150 billion (will be done by the State), LCG is negotiating with the City in the form of payment in cash or in exchange for land at 23 Le Duan.

On 27/07/2016, LCG's shares were traded at 5,000 dong, equivalent to PE FW2016 = 7.77x and PB = 0.39x.

Stock recommendations

Short-term portfolio

No.	Ticker	Date	Buy price	Current price	Unrealized gain/ loss	Cutlosses	Target
1	HHG	3/6/2016	7.9	10.3	30.4%	7.3	12.2
2	GTN	21/3/2016	15.8	21.4	35.4%	14.7	17.7
3	CTI	27/5/2016	24.3	27	11.1%	22.6	31.8
5	ITA	25/7/2016	5.3	5.1	-3.8%	4.3	6.7
6	C47	11/07/2016	13.2	13	-1.5%	12	15
Average					14.3%		

Source: BSC Research

CANSLIM portfolio

No.	Ticker	Date	Buy price	Current price	Unrealized gain/ loss	Cutlosses	Target
1	MBB	27/4/2015	13	15.2	16.9%	13	15.6
2	CMG	16/10/2015	14.6	14.1	-3.4%	17	17.5
3	DAG	10/6/2016	12.2	14.9	22.1%	11	15.0
4	DHC	11/07/2016	38.8	38.5	-0.8%	36	47
5	TTC	27/5/2016	21.7	23.5	8.3%	20	26.0
6	BIC	17/6/2016	22.1	28	26.7%	21	27
Average					11.6%		

Source: BSC Research

Market statistics

Top 5 leaders on the HSX

Ticker	Price	% Chg	Index pt	Volume
VCB	54.5	2.83	2.013	402240
GAS	60.5	2.54	1.446	431140
CTG	18	2.27	0.75	1.50MLN
VNM	158	0.64	0.605	594750
Ticker	Price	% Chg	Index pt	Volume
MSN	66	-0.75	-0.19	732260
TTF	26.6	-6.67	-0.134	37140
ITA	5.1	-5.56	-0.127	9.43MLN
HHS	7.2	-6.49	-0.069	4.80MLN
POM	9.2	-6.12	-0.057	280

Top 5 gainers on the HSX

Ticker	Price	% Chg	Index pt	Volume
RAL	95.5	6.7	0.035	72260
STG	30.3	6.69	0.026	98380
ATA	3.2	6.67	0.001	133820
CMX	4.8	6.67	0.002	3660
TIP	17.8	6.59	0.014	60980

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

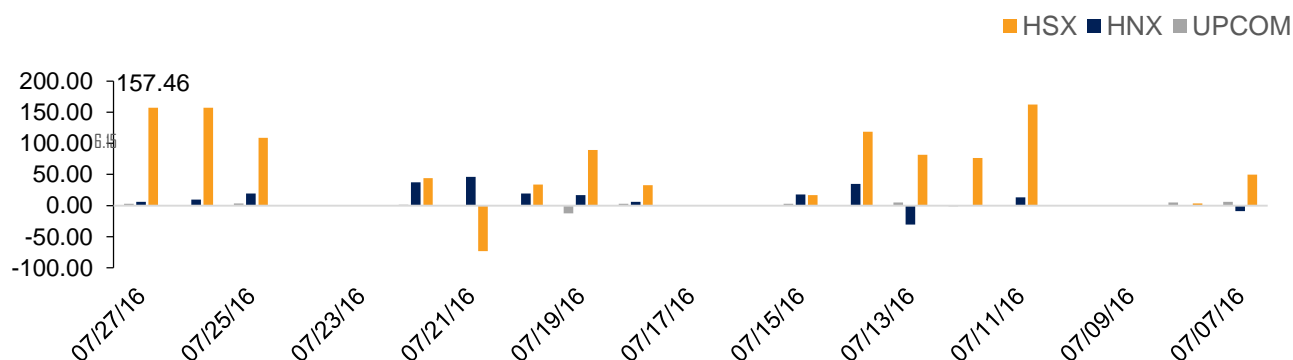
Ticker	Price	% Chg	Index pt	Volume
SIC	12.2	9.91	0.004	2500
TV3	54.4	9.9	0.018	200
PEN	9	9.76	0.021	2900
PVR	3.4	9.68	0.07	100
TFC	22.7	9.66	0.014	23900

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

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BSC Headquarters

BIDV Tower, 10th & 11th Floor
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84 4 3935 2722
Fax: +84 4 2220 0669

Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor
District 1, HCMC
Tel: +84 8 3821 8885
Fax: +84 8 3821 8510

<http://www.bsc.com.vn>

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