

Wed, October 26, 2016

Vietnam Daily Review

Wait for signals

BSC's Forecast on the stock market

	Negative	Neutral	Positive
Day 27/10/2016		•	
Week 24/10-28/10/2016		•	
Month 10/2016			•

Highlight

As forecast in the previous report, VN-Index has not been able to recover, mainly because banks and Bluechip group GAS, BVH, MSN continued to correct. The large-cap stocks halted market decline including ROS and VNM, PNJ rose slightly. Notably, the liquidity of the market dropped to its lowest level since August, only 141 million shares were traded on both exchanges corresponding to the transaction value of 2055 billion. Ending the session, VN-Index lost 2.57 points to 673.61 (-0.38%), the HNX-Index fell by 0.56 to 82.26 (-0.67%).

In today's trading session, the banking group continued to weaken, typically VCB, CTG, BID, STB. Oil and gas group with PVS, PVD, PVB, GAS continued to adjust in the same direction with lower oil prices in the world. Pharmaceutical groups and building materials traded more actively than common market, in which, notably pharmaceuticals group with strong trading volume with DCL.

Recommendation

Markets keep 673 by bottom fishing activities in late trading as liquidity depleted. Banking stocks and large stocks corrected sharply while ROS rose halted decline of VN Index, are uncertain factors for the recovery. The technical indicators continue to stand at a weak level. Therefore, investors are recommended to observe the market when the VN-Index does not have much chance to recover, should not participate if the VN-Index falls below the 673.

Company Updates - VNR - Vietnam National Reinsurance Corporation (HNX)

Company Updates - APC - An Phu Irradiation Jsc. (HSX)

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VN-INDEX 673.61

Value: 1409.46 bil **-2.57 (-0.38%)**
Foreigners (net): VND 10.42 bil

HNX-INDEX 82.26

Value: 295.2 bil **-0.56 (-0.68%)**
Foreigners (net): VND 9.42 bil

UPCOM-INDEX 57.10

Value 88.5 bil **-0.03 (-0.05%)**
Foreigners (net): -VND 10.54 bil

Macro indicators

	Value	% Chg
Crude oil	49.2	-1.6%
Gold	1,271	-0.2%
USDVND	22,338	0.0%
EURVND	24,391	0.3%
JPYVND	21,419	-0.1%
1-month Interbank rate	0.0%	-
5yr VN Treasury Yield	5.1%	-

Source: Bloomberg, BSC Research

Content

Market highlights	2
Company Updates VNR	3
Company Updates APC	4
Stock recommendations	5
Market statistics	

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

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Market highlights

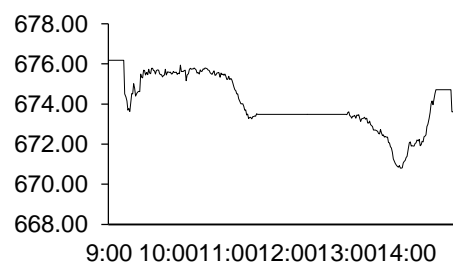
As forecast in the previous report, VN-Index has not been able to recover, mainly because banks and Bluechip group GAS, BVH, MSN continued to correct. The large-cap stocks halted market decline including ROS and VNM, PNJ rose slightly. Notably, the liquidity of the market dropped to its lowest level since August, only 141 million shares were traded on both exchanges corresponding to the transaction value of 2055 billion. Ending the session, VN-Index lost 2.57 points to 673.61 (-0.38%), the HNX-Index fell by 0.56 to 82.26 (-0.67%).

In today's trading session, the banking group continued to weaken, typically VCB, CTG, BID, STB. Oil and gas group with PVS, PVD, PVB, GAS continued to adjust in the same direction with lower oil prices in the world. Pharmaceutical groups and building materials traded more actively than common market, in which, notably pharmaceuticals group with strong trading volume with DCL.

On global stock markets, most of the indices corrected as oil prices declined by the news that Russia could not join planned oil cut of OPEC and less optimistic Q3 profits of the large stocks such as Apple and Lloyds.

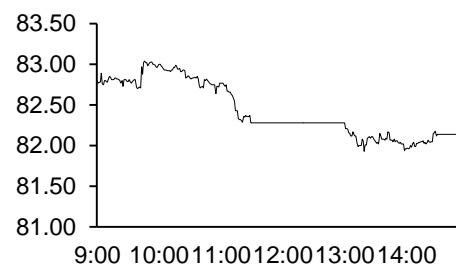
Market breadth has improved, though remained weak with 192 gainers and 267 decliners

Foreign investors bought net on the HSX with the net value of more than 10 billion, focused on VNM



Source: Bloomberg, BSC Research

Exhibit 2



Source: Bloomberg, BSC Research

Exhibit 3

Top 5 volume leaders

Ticker	Volume	Price	% Chg
OGC	9.31	1.39	5.3
FLC	7.5	6.06	-0.98
ITA	7.18	4.82	1.47
HHS	5.44	5.4	-5.43
KBC	4.51	17.5	0

Source: Bloomberg, BSC Research

Recommendations

Markets keep 673 by bottom fishing activities in late trading as liquidity depleted. Banking stocks and large stocks corrected sharply while ROS rose halted decline of VN Index, are uncertain factors for the recovery. The technical indicators continue to stand at a weak level. Therefore, investors are recommended to observe the market when the VN-Index does not have much chance to recover, should not participate if the VN-Index falls below the 673.

Technical indicators remain weak though ADX and Aroon are improving. MACD divergence, MFI of RSI are falling to below 50 signal PSAR has reversed the short-term decline in the VN-Index. If VN-Index lost 673 mark, the next support level of the VN-Index will be located at 658 and 651.

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Company updates

VNR - Vietnam National Reinsurance Corporation (HNX)

Q3 business results fell sharply, mainly from underwriting business:

Insurance gross premiums reached VND 430.5 billion in Q3 (-4.7%) and PAT reached VND62.2 billion (-26.5%). Profit decline mainly due to:

(1) Gross profit from insurance activities reached VND31 billion (-34%), due to increase in claim ratio to 55% from 41.3% in Q3/2015. We note that the insurance business is heavily dependent on accounting treatments, through the underwriting provision, therefore tend to volatile between quarters. Currently VNR still has industry-leading combined ratio of 95% for 9M2016

(2) Investment profit decreased by 10% and reached VND 57.8 billion, due to previous long-term investments has been renewed with lower rates. The total investment amount at the end of Q3 was VND 3,263.8 billion, up 0.6% compared to the beginning of the year. Accordingly, current ROI of VNR is approximately 5.7%, compared to 6.7% in the same period last year.

(3) Profit from Vinasamsung plummeted to VND 7.6 billion from 13.6 billion in Q3/2015.

BSC assessments

Vinare business results heavily depend on the interest rate. We expect interest rates will improve in Q4, if the Fed raises interest rates. Note that investment activity of the insurance business in general lagged from the interest rate movements. Thus, BSC believes investment activities are approaching the bottom stage.

VNR attracts many investors with SCIC divestment, with the expectation that leadership change will help improve the business result.

We maintain our Tracking assessment for VNR as in our 4Q industry reports. As of 10/26/2016, VNR is trading at 20,000 VND / share, corresponding to a P/E of 10.6x and P/B of 1.0x.

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Company updates

APC - An Phu Irradiation Jsc. (HSX)

3Q2016 positive performance. 3Q2016 net revenues was VND 29 billion, net profit was VND 10 billion. In April, 2016, An Phu Binh Minh Jsc, which had been APC's subsidiary transform into a branch of APC. Therefore, we calculate fair APC's performance under consolidated statement to make comparison. Then, net revenues increased by 16% yoy thanks to positive irradiation, net profit went up 33% yoy due to higher profit margin (59% in 3Q2016 compared to 57% in 3Q2017), 70% lower financial expenses (to VND 318 million thanks to 50% decrease in short term loans).

2016 forecast business results. We believe that APC will maintain its positive results because of high irradiation growth and strong gross margin. 2016 net revenues and net profit are expected to be VND 103 billion and VND 37 billion (+34% yoy), equal to 2016 EPS of VND 3,101 per share. Excluding financial income recorded from the transforming transaction mentioned above, 2016 net profit will be VND 31 billion, equal to EPS of VND 2,621 per share.

On 25th Oct, 2016, APC was traded at VND 25,050 per share, equivalent to adjusted P/E FW of 7.73x and P/B of 1.15x. Irradiation is monopolistic sector with high barriers to entry. Profit margin is high and relatively stable at average of 53% from 2009-2015 and 54% in 9T2016. We believe that the company will maintain its efficiency thanks to monopolistic sector and product portfolio irradiation with higher margin.

Stock recommendations

Short-term portfolio

No.	Ticker	Date	Buy price	Current price	Unrealized gain/ loss	Cutlosses	Target
1	DRC	26/09/2016	40.5	36.6	-9.6%	38.0	44.0
2	VCB	26/09/2016	37.4	35.3	-5.5%	35.0	45.0
3	CTI	27/5/2016	24.3	28.2	16.0%	22.6	31.8
4	REE	1/8/2016	20.3	20.9	3.0%	19.5	23.5
5	GMD	26/09/2016	26.3	27.4	4.2%	24.2	28.5
Average					1.6%		

Source: BSC Research

CANSLIM portfolio

No.	Ticker	Date	Buy price	Current price	Unrealized gain/ loss	Cutlosses	Target
1	MBB	27/4/2015	13.8	14.3	3.3%	12.8	16.6
2	GMD	4/7/2015	26.6	27.4	3.0%	24.7	31.9
3	HUT	03/10/2016	13.2	12.5	-5.3%	12.3	15.8
4	DRC	05/09/2016	39.3	36.6	-7.0%	36.5	47.2
Average					-1.5%		

Source: BSC Research

Market statistics

Top 5 leaders on the HSX

Ticker	Price	% Chg	Index pt	Volume
ROS	74.00	2.49	0.39	1.54MLN
LGC	22.50	5.39	0.11	1620.00
VNM	141.10	0.07	0.07	405530.00
HT1	21.20	2.17	0.07	92240.00
Ticker	Price	% Chg	Index pt	Volume
VCB	35.30	-1.26	-0.61	694100
GAS	67.70	-0.88	-0.58	143550
CTG	16.95	-1.45	-0.47	378010
BID	17.25	-1.15	-0.35	1.23MLN
VIC	42.45	-0.59	-0.33	434490

Top 5 gainers on the HSX

Ticker	Price	% Chg	Index pt	Volume
VRC	13.00	7.00	0.01	120960
HOT	23.00	6.98	0.01	10
TIX	33.00	6.97	0.03	10550
SSC	43.30	6.91	0.02	10
QCG	4.19	6.89	0.04	56110

Top 5 losers on the HSX

Ticker	Price	% Chg	Index pt	Volume
VNH	0.90	-10.00	0.00	9870
BTT	35.60	-6.32	-0.01	13980
D2D	30.60	-5.26	-0.01	2760
VPS	19.80	-4.81	-0.01	50
VOS	2.10	-4.55	-0.01	10470

Source: Bloomberg, BSC Research

Top 5 leaders on HNX

Ticker	Price	% Chg	Index pt	Volume
PVR	3.40	9.68	0.07	100
KKC	14.50	5.84	0.07	5800
AAA	24.10	7.11	0.04	1.12MLN
VBC	70.50	5.22	0.04	2400
Ticker	Price	% Chg	Index pt	Volume
SGO	3.80	-2.56	-0.05	206800
TV2	92.10	-0.97	-0.02	1700
NTP	58.80	-0.17	-0.02	6100
PVG	7.70	-1.28	-0.01	26600
L14	79.00	-4.70	-0.01	800

Top 5 gainers on the HNX

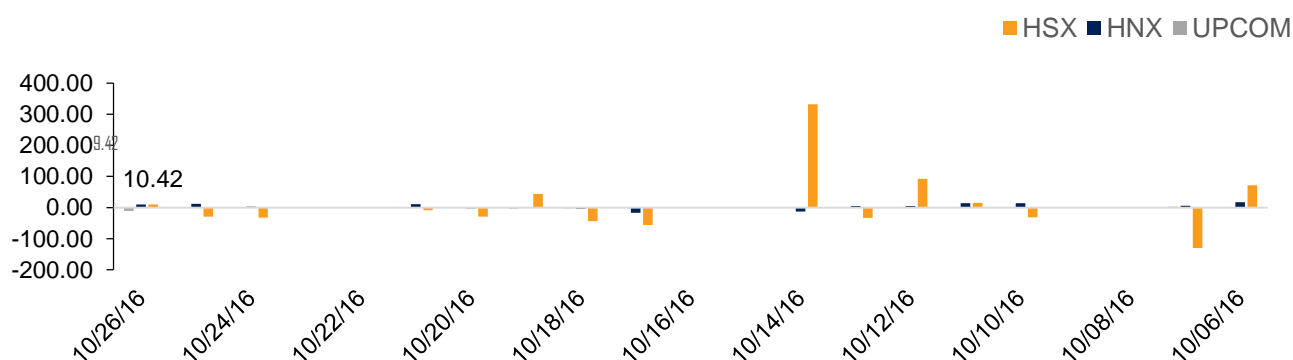
Ticker	Price	% Chg	Index pt	Volume
SIC	12.20	9.91	0.00	2500
TV3	54.40	9.90	0.02	200
PEN	9.00	9.76	0.02	2900
PVR	3.40	9.68	0.07	100
TFC	22.70	9.66	0.01	23900

Top 5 losers on the HNX

Ticker	Price	% Chg	Index pt	Volume
GMX	21.00	-9.87	-0.01	3200
ONE	9.10	-9.90	0.00	31100
DID	4.60	-9.80	0.00	10100
NHA	9.30	-9.71	-0.01	100
KMT	5.80	-9.38	0.00	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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