

WEEKLY NEWSLETTER

Market moves sideways with caution!

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By:

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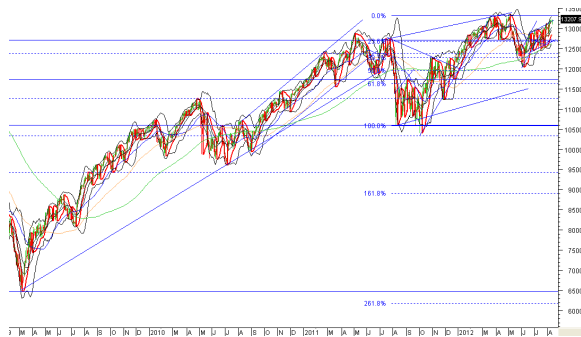
(Director of Research)

Stock market

U.S:

It has been a quiet week and US economic data was generally favorable for stock bulls. Most important, the jobless claim held up its recent improvement with 361K (365K consensus). Both the budget deficit and the international trade deficit shrank for a more stable economy.

Dow Jones is on its way to test the recent high at 13,400 (1.5% higher). While all technical signals such as MACD, ADX, or RSI point to further upside, the fact is that stocks negligible changed last week, which mean the climb will be more likely slowly rather than strongly.



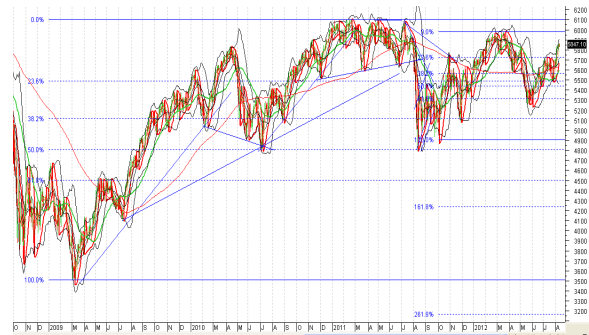
Dow Jones as 8/10/2012

As we said last week, VIX has been going down to 14.7, not far from all time low of 14. A calm period for VIX is poised to lead to a more volatile period, which is not good for stocks. That's our concern in the next month but for now, things are still looking fine.

Germany Industrial Production and Manufacturing orders all point to a deeper decline in the manufacturing picture of Euro

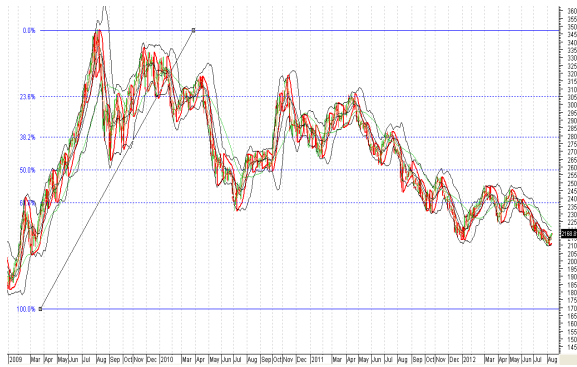
zone. Great Britain's IP also fell deeply but still managed to be better than forecast. However, all eyes are still on the next ECB moves. The longer it takes for ECB to move decisively, the more impatient the market can be.

FTSE has its strong resistance of 6000 (2.6% higher). We would be more cautious this time around for a sudden back step.



FTSE at 8/10/2012

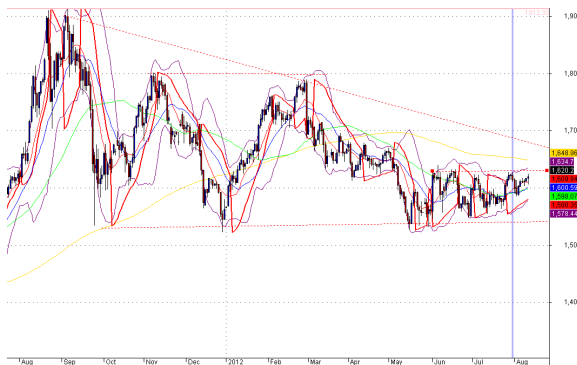
Two Chinese data last week (CPI and IP) both were soft as the economy faced a significant slow down. That raised the hope for stronger stimulus and led stocks to climb higher. Shanghai index has been up 3.2% after successful test of 2100 support level. Short term trend is positive and Shanghai looks to break up the mid term down trend from May. It looks like sell in May go back in August for Chinese stocks.



Shanghai index as of 8/10/2012

Gold

To sum up, gold has been in a sideways mood for short term, a correction phase for mid term and an uptrend for long term. Gold has been treated as both a risky asset that moves in tandem with stocks and as defensive asset in an economic recession. As such, gold climbs not as strong as stocks now.

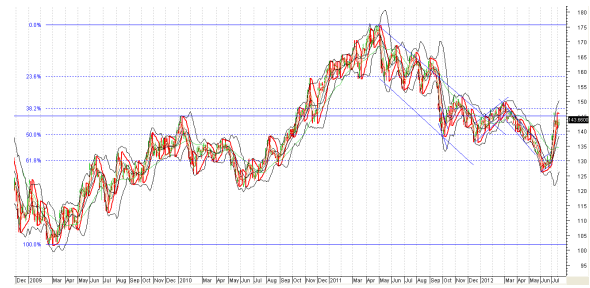


Gold as of 08/10/2012

Other channels

Commodities:

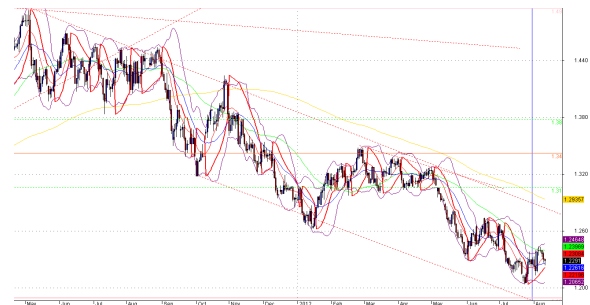
After a very strong 10% plus run that has brought commodities in general higher than the beginning of 2012. commodities stabilize at the moment.



Commodities index as of 8/10/2012

EUR lower after ECB announcement

EUR faced strong resistance at MA50 and has moved down after failing this test. Investors are thinking that ECB will be more decisive in pumping money to save the peripheral countries by directly buying bonds, while FED is seen unlikely to move at the moment. All those factors point to further decline of EUR versus USD.



EUR has near term support at 1.2 but can still move lower

USD has also stabilized against JPY at 78 and not much has changed for the last week.



USD is at near term support of 78

Stock market comment

Two indexed moved up marginally last week and have corrected from its strong resistance of 428-430 for Vnindex and 71-72 for Hnxindex. We think that the correction have been quite normal now with low volume so that should not be too big a big concern. A big concern now is that if the low volumes on up days will not be improved, then we unlikely to see a substantial rally for August. We still think that the market is more likely to move higher to 450, but will wait for higher volume to confirm the trend.

On the economic side, not many new stories have come out. SHB and HBB merge helped these stocks and Hnxindex move up for 2 days, but fainted out as investors avoid non transaction days ahead. Vnindex was helped mainly by blue chip stocks such as MSN, VNM, EIB, VIC, BVH... which take turn to lead index, while high beta stocks move lower. There's some rumor of petroleum hike which should be a real test for the market if materialized.

Strategy:

This Monday, the stock market is in a correction day but two indexes moved up in the closing session, which raised hope for a breakout to the upside. We would suggesting a hold strategy and will open more room for purchase if stocks can climb over 430 resistance especially with high volume.

On the other hand, we would be more cautious when Vnindex lost its 420 support.



Vnindex as of 08/13/2012: Volume lowers as index reaches its resistance at 430.

HNX has been quite weak which should be of no surprise as even on Vnindex, only blue chips with good performance advance while speculative stocks (which are the main force behind HNX movement) go down. We are more concerned about HNX which has generated some selling indicators.



Hnxindex is weaker and has lost its 70 support.



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