

## WEEKLY REPORT

### Week 1- November-2011

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**SHF**

- **World stock markets: Short term rally on news on Europe and better macro data seem to see the end**
- **Vietnam: Lack of catalyst for a sustainable rally.**
- **Stock market: VNINDEX 430 and HNX 71.5 to be the strong resistance level to break for any future rally**

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## Europe solution warmly welcomed by investors first but concerns follow

Europe has announced its plan to save Euro and Greece with unprecedented methods. The center of the plan is a voluntary hair-cut of 50% of Greece bonds by private investors. Because the haircut is voluntary, it will not trigger the CDS protection as Greece is technically defaulted. As investors expected, Europe will also leverage its EFSF to 1000 bil. EUR and provide protection for the first 20% of loss of newly issued bonds. With the money already spent, the current EFSF number is around 170 bil. EUR and how that number can come up to 1000 bil. EUR has not been revealed so far. Other countries and institutions such as IMF, China, India, Russia, and Brazil are urged to contribute to this fund. The banking system will need around 106 bil. EUR to recapitalize and bring their Tier 1 capital to 9%. However, estimates from IMF shows that 300 bil. EUR is needed, Roubini also comes with a close number (280 bil. EUR) to IMF estimates.

The investors first gave a warm welcome to the Europe solution as if the trouble has gone. However, skepticism returned later and the Europe leader, as usual, did not provide enough detailed information about the plan. Italian bond yields remain stuck with yield for 10- year bond up 15 basis points to 6.18%, despite ECE intervention on the open market.

After Dexia from Belgium, one more financial institution, MF Global, this time from US, has to

announce default. This firm owns \$39.7 bil. while holding substantial amount of Euro bond, of those around 2.2 bil borrowed from JP Morgan and Deutschebank. It fails as its bet on Europe bonds turns wrong. There's a suspect this firm will be another Bernie Madoff as hundred of million dollars monies of customers have been wrongly used as collateral for company trading activities.

Europe condition also stabilizes, with Germany PMI manufacturing index falls short of forecast (48.9 versus forecast of 49.8) but service index beats forecast. EU economic sentiment stays on par with prior month and beats forecast (94.8 versus 93)

## US: Economic data stabilize, earnings continue to beat forecast

US reported its GDP for Q3/2011 of 2.5% annualized which is on par with forecast and a significant improvement from Q2 (1.3% annualized)

The report on personal incomes and spending showed that consumers have shifted from savings to spending, which is an add to GDP, as income rose 0.1% but spending rose 0.6% last month.

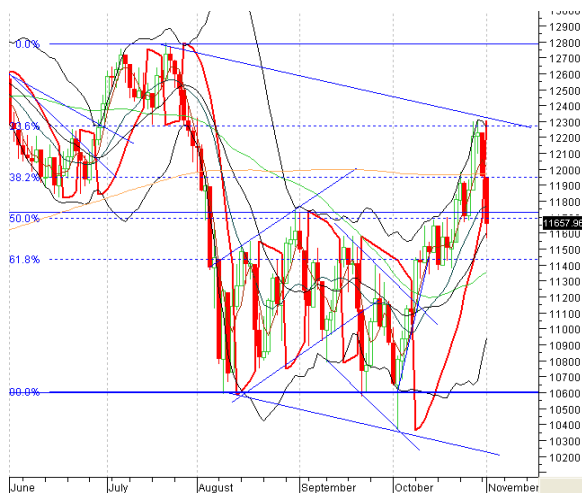
The confidence data was mixed. While US consumer confidence dropped to 39.8 (consensus 46.4), Umich consumer confidence survey later showed that it's actually an improvement to 60.9 from 57.5

## Stock market

### U.S:

US stocks marked the fifth consecutive week of the bull market as confidence comes back as investors find that the risk of a second dip is lower as US's GDP improves, while Europe has done enough to calm down investors worries on Europe crisis. The flux of report earnings that mostly beat forecast also help. After a short span of time spending in the bear market , S&P has climbed up more than 13% last month to mark the best monthly gain since 1974.

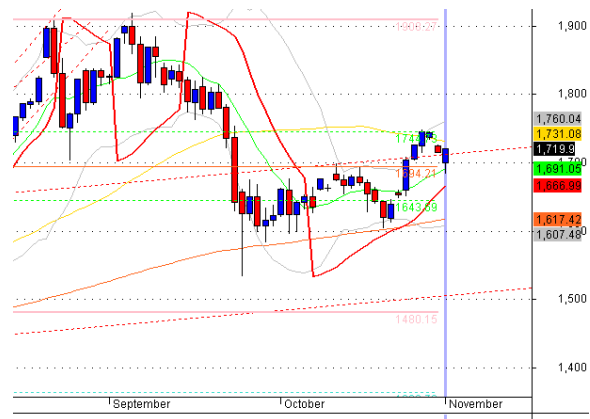
At the moment, DJ has successfully overcome the resistance level at MA50, MA100 but fails to at MA200. Now that the Europe crisis has run out of good news and Q3 earnings almost over, it's harder to find a catalyst for a continuation of this short rally. It's likely that MA200 has been the peak of this short term rally and DJ will come back to its down trend with the nearest support for DJ is 11.450.



Dow Jones at 11/01/2011

## Gold

Gold has moved in line with stocks recently and is now facing its strong resistance at MA50 at 1740, which is also the 38.2% Fibonacci resistance. The technical signals have turned negative for gold and there's likely a short term drop in gold price with MA 150 at 1620 as strong support. With its protection purpose while the situation in Europe gets worse, gold will have better support than stocks.

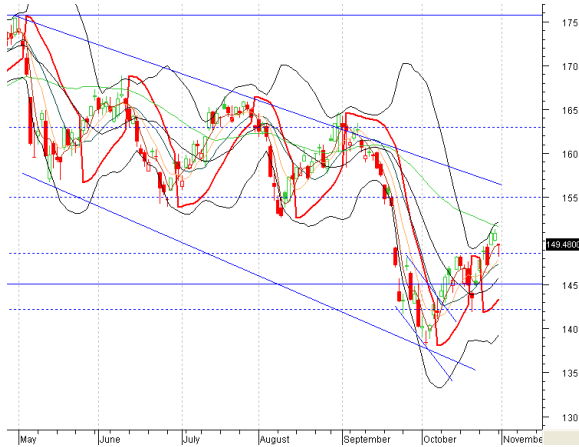


Gold price at the end of 11/01/11

## Other channels

### Commodities :

Commodities are still under pressure. Despite its recent rally, commodities seem weaker than stocks and its negative beta is bigger. In the medium term, commodities are still under its down trend and we don't see the opportunities for a breakout in the near future.



Commodities index at 11/01/2011

## Japan intervene in the FX market as yen rises high leads to suspect for another currency war

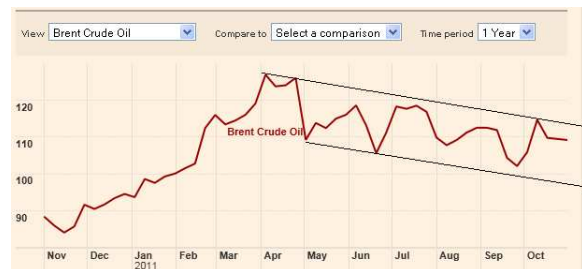
To combat the strength of Yen against other currencies that hurts company profits largely, Japan has made a biggest intervention in the FX market by using 110 bil. Yen. As a result, Yen drops 3.4% from its low of 75.7 Yen/dollar to 78.3. The last time Japan intervened in the market (March 2011 and August 2011) showed limited impacts as Yen later rose despite weakening for a number of sessions right after the intervention.



*USDJPY since March 2011: All two interventions saw early results but Yen continued its strengthening soon later.*

## Crude Oil

Brent crude oil lags other investment channels and has resumed its down trend after a short rally.



*Brent Crude Oil at 11/01/2011*

*Source: Financial times*

## Property market faces great risk, companies dump projects for cash

The news that gains most attention is PVL, a company belonging to PetroVietnam, has to cut price on its project from 22 mil per square meter to 14 mil. Dong per square meter (30% cut) to have liquidity and payback bank loans. Another developer, Saigon Mekong has followed suit by cutting price on its apartment form 18 mil. To 14 mil. Dong or a 25% hair-cut.

In the north, price of properties also drops significantly, in particular Nam An Khanh, a project by SJS, has seen price to of around 30% from peak as news spread out that SJS may not be allowed to continue developing this project.

With properties falling 30% from peak, the properties market has officially enter its downturn. The fallout of this industry may lead to a banking crisis and put Vietnam economy at risk. Until now, the government has showed no sympathy for developers and has continued its tightening policies. Banks are hesitated to lend to developers as a result. We do not see a chance for this crisis to over soon yet.

## The re-structure of banking industry continues

This week, BIDV announced that it would support Bac A bank a liquidity fund up to 3000 bil. dong and PG bank up to 5000 bil. dong. Some suspect that this move means BIDV will

take-over these two banks in a short term. Rumor said that the number of private banks will be reduced to around 20 banks. There's sign of breaking deposit ceiling among banks and the State bank has to step in to intervene.

## Rates stay high as devaluation pressure strengthens

The State bank leaves no room for a loosening policy. After pumping 23.000 bil. dong to save the interbank market, The State bank has withdrawn around 20.000 bil. dong over last week as interbank market calm down. There's more likely that the re-capitalization channel has been the major one of funding as this channel supports State bank's will to cut down on the number of private banks to around 20.

## Stock market performance

The correction over last Friday and this Monday has not started off to a rally. The catalyst for this correction is the rally of stocks in foreign markets, as such, the two indexes resumed its down trend as world stock markets fell again.

Right now, some optimists hope that the last bottom of 400 on Vnindex and 66-67 on Hnxindex will again be a strong support level and demand will return as stocks fall down. However, what is lack for a strong rally is information as both macro data and company earnings are negative.



*HNXINDEX resumes its down trend with strong volume. It's likely to retest its historical level of 66 in a short term*



*VNINDEX bull-trap for 9 sessions with the rise of heavy-weighted stocks such as VIC, MSN, BVH. However, it failed to break the Fibonacci 50% and MA50 (at 430) and is likely to retest support level of 400 in the short term*

## Foreigner activities

Overall, foreigners are net buyers but mostly they are big buyers of FPT. In other stocks,

foreigners are more likely to be sellers, particularly ETF stocks such as PVF, OGC, MSN and VIC.

## Buy order takes advantages to support the rally but dies out soon

Quantitative data supports for this short term rally as both total volume and average order showed the proactiveness of buyers. However, situation changed as indexes test its resistance at Vnindex 430 and HNX 71.5, where sellers easily take control of the market. This supposes that there is no rally if the indexes can not break these resistance levels.

## Suggestion: Short rally turns to be a bull- trap, investors should wait for a re-test of last low

The short rally led by big stocks and some active stocks (BVH, VIC, VND) based on good news from the world stock markets died out soon. There's no macro economic data or company earnings to support this rally. Currently, the situation of the property market that has signaled a bear market and the consequences on the banking system grasped most attention. We do not think that this problem will be solved in a short term. Opportunities on the market is still for short term investors while long term investors advised to wait.

## Stock market valuation

Date	31-Dec	26-Oct	27-Oct	28-Oct	31-Oct	1-Nov	Change this week	Change last week
P/E Market	11.97	10.69	10.69	10.95	10.98	10.72	0.35%	-1.47%
Median	6.30	6.34	6.42	6.35	6.35	6.10	-3.70%	0.01%
Top 3	25.40	26.20	26.89	27.65	27.76	26.73	1.99%	-1.48%
Top 11	18.01	17.61	17.76	18.09	17.98	17.57	-0.25%	-0.40%
Securities company	36.62	33.44	34.00	35.59	36.35	35.92	7.43%	-2.78%
Real Estate	15.10	14.23	14.17	14.56	14.60	14.15	-0.60%	-2.87%
Banks	9.11	8.74	8.81	8.90	8.87	8.78	0.40%	-2.15%
Industrials	9.36	8.61	8.57	8.76	8.59	8.50	-1.23%	-0.98%
Insurance	16.65	17.15	17.61	18.27	18.29	17.58	2.49%	-1.36%
Pharmaceuticals	6.55	6.41	6.40	6.38	6.39	6.42	0.21%	0.51%
Food	16.74	8.27	8.27	8.35	8.39	8.32	0.69%	-0.87%
Construction	20.47	18.68	18.71	19.69	20.70	19.61	4.96%	-5.48%
Transportation	5.88	5.33	5.27	5.47	5.44	5.30	-0.64%	-2.24%
Chemicals	3.81	4.29	4.31	4.33	4.37	4.33	0.92%	0.77%
Construction material	8.35	7.85	7.88	8.14	8.29	8.12	3.41%	-3.97%
Technology	5.54	6.76	6.78	6.80	6.69	6.49	-4.02%	-0.04%
Rubber	4.68	4.65	4.63	4.62	4.65	4.56	-1.99%	-0.47%
Power	6.10	5.48	5.48	5.59	5.54	5.48	0.00%	-1.00%
Rubber related products	7.12	6.33	6.30	6.58	6.40	6.22	-1.77%	-1.52%
Oil and petroleum	5.02	5.17	5.22	5.36	5.31	5.22	1.09%	-0.36%

Note: there's a significant revision of P/E (up around 20% on average) as we have collected Q3 earnings of followed companies.

## Weekly trading statistics

VNINDEX	Buy vol. avg.	Sell vol avg.	Buy order avg.	Sell order avg.
Week 14/9-20/9	90.6	102.8	3206	3678
Week 21/9- 27/9	74	65.7	3090	3256
Week 28/9-4/10	69.3	67.1	3071	3441
Week 4-10/10	59.3	57.4	3027	3101
Week 10-17/10	47.8	50.3	2713	3100
Week 18-25/10	42.8	39.6	2666	2687
Week 25/10- 2/11	50.2	47.4	2934	2839
Change	-10.46%	-21.27%	-1.73%	-13.32%

HNXINDEX	Buy vol. avg.	Sell vol avg.	Buy order avg.	Sell order avg.
Week 14/9-20/9	77.7	82.7	3010	3287
Week 21/9- 27/9	62.8	60	3068	3174
Week 28/9-4/10	56	55.7	2821	3252
Week 4-10/10	54.9	46.5	3194	3088
Week 10-17/10	34.5	36.7	2895	3359
Week 18-25/10	44.3	37.6	3043	2910
Change	-1.96%	-16.52%	13.22%	-5.04%

## Daily trading statistics

Date	VNI	Volume	Value	Buy vol. avg.	Sell vol avg.	Buy order avg.	Sell order avg.	Foreign Net
10/25/2011	409.38	22,397,007	385,072,309,000	36,572,840	41,609,050	2,518	2,712	1.7
10/26/2011	412.1	25,283,564	566,383,911,000	39,530,880	41,629,400	2,638	2,934	118.8
10/27/2011	414.75	21,818,189	347,753,751,000	38,836,140	38,633,360	2,503	2,802	3.2
10/28/2011	422.07	40,727,170	638,895,157,000	76,845,150	50,841,250	3,519	2,794	2.6
10/31/2011	420.81	37,892,750	580,622,584,000	59,280,610	64,505,060	3,490	2,951	4.8
11/1/2011	413.82	44,885,400	721,595,855,000	47,653,230	62,515,640	2,710	3,163	9.6

Date	HNX	Volume	Value	Buy vol. avg.	Sell vol avg.	Buy order avg.	Sell order avg.	Foreign Net
10/25/2011	0	23,938,700	234,572,576,000	33,073,600	39,784,600	2,718	2,910	5.6
10/26/2011	67.97	21,269,480	217,697,074,000	39,164,100	33,455,000	2,898	2,906	8.4
10/27/2011	67.78	21,275,085	202,337,641,000	35,026,000	33,310,300	2,805	2,970	1.3
10/28/2011	69.94	50,792,020	504,948,230,000	83,595,200	51,661,300	4,509	2,999	-6.7
10/31/2011	70.21	59,826,100	658,146,600,000	76,943,400	74,097,000	4,047	3,462	7.3
11/1/2011	68.52	37,209,800	396,044,840,000	47,591,400	70,480,800	3,704	3,227	2.3

*This week, most earnings reports have been issued to reveal the true picture of company operations. So far, the results are not great. There's room for improvement as many companies just issued the earnings of holding companies and not the whole groups. Still, the picture is not bright, suggesting that companies are under great struggle in a tightening and deleveraging economy.*

*On average, relative to Q2 trailing, Q3 trailing earnings drop 25% with a median of 11%, suggesting that there are big groups of companies that saw its profits going south largely. No surprise, Real estate, construction and securities get hit badly. Real estate earnings is just 45% of Q2 trailing earnings, with that for construction 54% and securities (only companies that make a profit included) 66%.*

*There is only two sectors that saw rather good performance. Rubber earnings increase 18% q-o-q (annualized) and Power (only VSH included, most other such as PPC, TBC are still under water) up 10%. Interestingly, the biggest (MSN, VIC, BVH) saw a really good performance relative to the rests of the market with earnings up 9% q-o-q (annualized)..*

*When we count Q3 only (relative to Q3 last year) the strongest performers amongst big stocks are PVF (up 353%%), MSN (31%), VCG (300%) VIC (289%), VPL (81%). Most of those stocks have P/E sky-high reflecting that investors have already discounted this strong performance long ago. When we compare 9M 2011 to 9M 2010, MSN (+139%), VIC (+161%) VCG (+46%), VPL (+180%) are still the strongest (in addition to rubber companies), while the weakest are real estate and securities companies such as OGC (-62%), SCR (-76%), SSI (-103%).*

*Overall, there is a wide dispersion in earning reports, which means that despite the tightening and deleveraging process, some companies prosper thanks to its strategic positions or relations while other suffer. The notable industries that profit include agriculture, food products, gas, rubber and banking. The attentive decision by the State to dislocate fund from properties and stock market to other industrial and agricultural sectors have shown some good results at the loss of companies in the two mentioned industries.*

*With the tightening process keeping on and the real economy suffers, we do not expect an upturn in companies earning until the second quarter of 2012. The stock market may react sooner but still there is not so great a prospect for Q4/2011, unless stocks drop further. With recent earnings, P/E of the market is 10.4 (with a median of 6.74), still much higher than P/E of deposit channel at 7. With a drop in stock price, an upward earnings and lower interest rates, we think that the situation will be improved in 2012 but we may have to wait at least until the end of Q1/2012.*

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