

WEEKLY REPORT

Week 2- December-2011

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Europe: More tightened budget rules helped restore confidence but not for long

During the summit last Friday 9/12/2011, Europe leaders agreed to more tightened budget rules. However, bolster to IMF and hints of more supports next year are not big and fast enough. ECB also quashed hopes that ECB would launch an unlimited bond buying program to help indebted countries as European rules do not allow this. ECB did bring down interest rate by 25 bps to 1%, however. Banks can borrow from ECB at 1% for 3 years and buy Italian bonds at 6% for a risk free returns (in case Italy does not go broke) but some experts are skeptical about this route as it links the sovereign debts and bank bad debt even more. Moreover, banks in one country can only rely on ECB cheap funding after each country takes steps to help itself and control fiscal situation.

On the economic data side, EU industrial recorded a level of 47.5 which is an improvement from 46.4 of last reading. Retail sales increase 0.4% last month and -0.4% y/y. German's industrial production increased 0.8% for the month (last reading -2.7%) suggesting the business is calming down under the stronger effort to save the Euro by its leaders.

China: Economy cools down

China Industrial production grew slightly at 0.91% M-o-M, bringing Y/Y change to 12.4% from 13.2% of last reading. Retail sales, however, record a

modest growth at 1.27% M-o-m growth and a 17.3% y-o-y (last reading: 17.2%)

With the economy slowing down, CPI has dropped 0.2% last month to bring down y/y change to 4.2% from last reading of 5.5. Production price index saw a deeper drop of -0.7% for the month bringing y/y change to just 2.7% (last reading 5%). The surplus from merchandise trade dropped to 14.53 bil this month from last reading of 17. The cooling down of inflation surely costs a lot of growth for China this time.

Similar to Vietnam, China biggest problem now is the real estate market. With an estimate 30-40% of banks fund to this sector, a crash here will leave a very negative consequence on the economy.

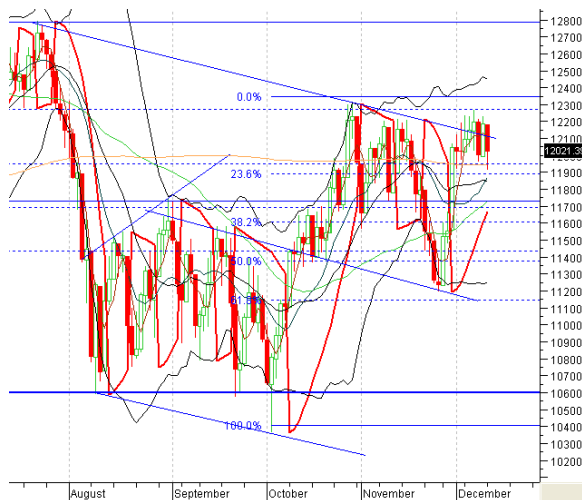
US: Economic and sentiment kept improving to support stocks gain

Consumer sentiment improved to 67.7 from 64.1 of last reading and has recorded 3 month gains in a row. Initial jobless claims dropped to 381K last week compared with 402K of last reading. For the last 3 months, jobless claims have been declining suggesting the better state of the economy. US ISM non-mfg index recorded at 52 compared with 52.9 last month.

Stock market

U.S:

US stocks has climbed for the last few weeks on hopes of a reliable Europe solution and improved economic data in the U.S. However, indexes such as Dow Jones or S&P 500 have reached the strong resistance levels. The high volatility recently does not suggest a good outcome. Yesterday, it's interesting that both VIX index and stocks, which normally move in opposite direction, declined.



Dow Jones on 12/12/2011



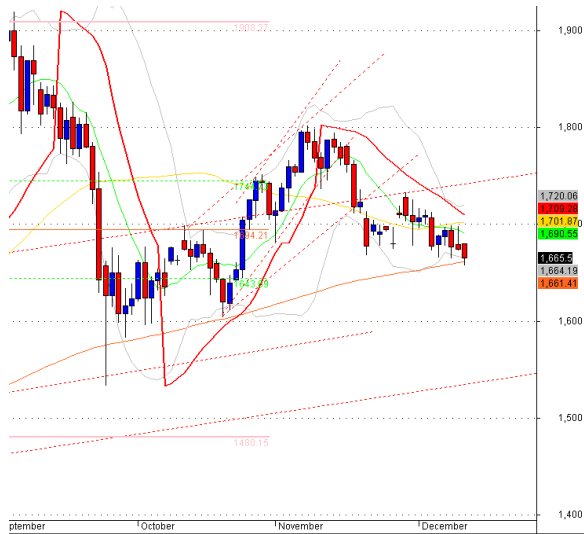
VIX index on 12/12/2011: Vix moves along Dow Jones in a rare case

Gold

Gold has lost momentum recently. While it moves on the same side with stocks, it rises slower and drops steeper, suggesting that gold is under a lot of pressure as a result of its strong performance over the last few years.

Right now, gold has dropped to its significant resistance level of \$1650 per ounce (which is the MA150 that supports gold advances in the last two years). However, if the stocks kept on declining, gold will be under strong pressure to drop and we expect gold to drop about \$100 more to \$1550, where the support trend line may suggest a rebound.

In the next 6-12 months, gold advance could be limited due to the strengthening of USD if Euroland chooses to print money to save itself from a crisis. Gold gain will be neutralized partly by this force until US hit the same button on its printing press. The investors are now still expecting FED to have Q.E.3 at around \$1000 bil. comprising \$700 bil. on mortgages and \$300 bil. on Treasury bonds.



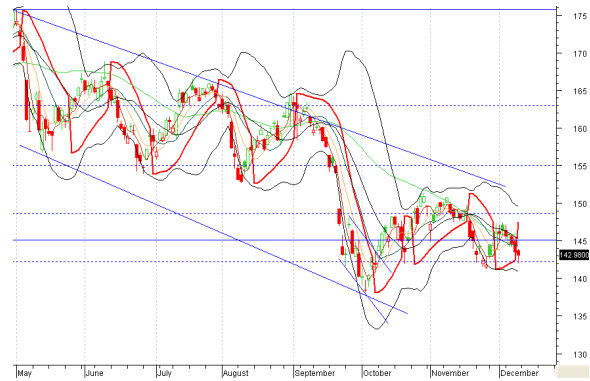
Gold price at the end of 12/12/11: Gold is at its very strong support (MA150)

Other channels

Commodities:

Commodities have been declining for the last few months as demand from China dropped. The drop in commodities prices surely help lowering down inflation in many countries (Vietnam in particular benefits a lot as food accounts for 40% of CPI basket).

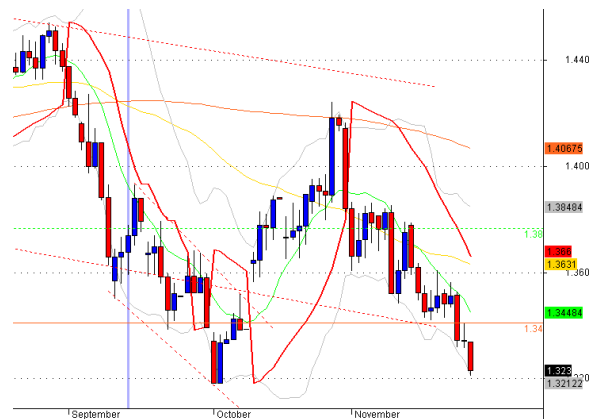
However, the future of commodities has become more complex, with FAO expecting that commodities would rebound in the short term. Up to now, we have not seen the bottom of commodities just yet as it still moves downward.



Commodities index on 12/12/2011

EUR rebound short lived

EUR rebound against USD turned to be even shorter than the rebound in stock performance. The recent rebound of stock during the last month was not accompanied by EUR strength which seen its rebound stop short on 12/28/2011. EUR has been resuming its downward trend ever since.



EURUSD on 12/12/2011

First bank merger to be announced, further to come

There small banks, Vietnam Tin Nghia, SCB, and Ficombank, have agreed to merge into one bank named SCB, with BIDV representing the government to control the government stake in this new bank and appointing key executives for this newly born bank.

This new bank will have registered capitalization almost VND 10.000 bil., putting it into a top private banks based on capital standard. The announced bad debt does not sound so bad, with SCB recording more than 12% but the other two around 2%. Of course, this is based on Vietnamese accounting standard.

U.S. hedge fund sued Vinashin, borrowing cost climbed up to 10%

Elliot Advisors is suing Vietnam state-run Vinashin for an amount of 13.2 mil. While this is not new, the determination of EA in suing Vinashin has helped dampen international investors in Vietnam furthermore. Representatives from PVFC stated that borrowing from foreign investors is very difficult for Vietnam now and the rates, if any, may come up to 10% per year.

Stock market performance

Failed hope of a lower deposit ceiling brought the market to its familiar downtrend. Most retail

investors are in the “waiting mode” which dampens demand and the supply by institutional investors under the deadline of closing fund takes advantage. As a result, liquidity is quite low but the market keeps on losing points.

The good estimate for December CPI (0.5-0.6%) has not helped lift the market. Clearly, the market now is waiting for the restructure of the banking and real estate sectors and there's no rush to buy, especially when international environment may get worse.



Vnindex turned even lower than its starting point after a failed attempt to rebound.



As the decline was led by ETF stocks such as VIC, MSN, BVH, CTG, VCB, HNXINDEX showed somewhat better performance than VNINDEX.

Foreigner activities

Foreigners are still net seller on Vnindex but the selling pressure has been milder. The selling has been widespread from key ETFs stocks such as BVH, VIC, CTG, MSN... to old blue chips such as HAG, HPG or more speculative stocks such as OGC, PVF. This suggests a withdrawal of fund rather than a portfolio restructure. However, as the holiday is coming, we hope the selling pressure from foreigners to be milder from now to the end of the year.

Sell order takes advantages of buy orders again

Last week was divided into two parts. In the first part, buy orders took control of the market as hope for a lower deposit ceiling was high. However, as this hope died out, the selling order came back to control. What's noted is the quite balance between sell and buy orders despite the steep drop of two indexes (Vnindex fell 6 sessions in a row) suggesting maybe the selling pressure was concentrated on the key stocks that determine the market direction.

Suggestion: Is there hope for a year-end rebound?

Stocks seem to be more sensitive to macro political moves rather than companies performance. The hope for the stock market relies on the decision to lower deposit and loan rates and better credit to real estate market. However, with liquidity of banks still under pressure from now till Lunar New year, we don't think that the government would loosen earlier than the end of January, 2012.

Based on chart alone, the last two declines spanned about 1 month. With this decline starting from 12/06/2011, we expect the bottom of this decline (hopefully the last) to form around early January, 2012. We would not suggest buying for short term investors, but for long term investors, many stocks seem offer very good value now. The selling pressure from closed funds, however, is still a headwind for the market in a few next years. We expect the market to find the bottom at around 350 (Vnindex) and 55-57 (HNX).

Stock market valuation

Date	31-Dec	6-Dec	7-Dec	8-Dec	9-Dec	12-Dec	Change this week
P/E Market	12.65	9.55	9.48	9.37	9.20	9.09	-4.88%
Median	9.2	5.66	5.73	5.61	5.58	5.61	-0.82%
Top 3	25.35	24.62	24.43	23.81	23.34	23.23	-5.66%
Top 11	17.56	16.26	16.04	15.63	15.37	15.11	-7.06%
Securities company	41.37	34.09	33.70	32.94	32.40	31.92	-6.38%
Real Estate	13.7	12.18	12.09	12.06	11.60	11.40	-6.38%
Banks	10.36	7.87	7.80	7.72	7.69	7.65	-2.82%
Industrials	13.68	7.06	7.01	6.89	6.81	6.88	-2.61%
Insurance	18.26	16.46	16.35	16.18	16.03	16.09	-2.25%
Pharmaceutical	9.82	5.70	5.69	5.64	5.52	5.49	-3.72%
Food	7.86	7.53	7.48	7.33	7.33	7.24	-3.76%
Construction	25.89	16.35	15.73	15.76	15.21	14.49	-11.33%
Transportation	9.14	4.49	4.54	4.42	4.40	4.34	-3.30%
Chemicals	7	4.03	4.01	4.08	4.01	4.04	0.33%
Construction material	12.93	6.86	6.89	6.72	6.62	6.47	-5.65%
Technology	9.66	5.94	6.02	5.94	5.81	5.93	-0.19%
Rubber	7.42	4.06	4.06	4.07	4.04	4.05	-0.15%
Power	7.56	5.87	6.04	5.98	5.98	5.92	0.94%
Rubber related products	12.58	5.76	5.73	5.54	5.39	5.37	-6.73%
Oil and petroleum	7	4.89	4.81	4.71	4.63	4.65	-4.78%

Weekly trading statistics

VNINDEX	Buy vol. avg.	Sell vol avg.	Buy order avg.	Sell order avg.
Week 2-9/11	45.3	45.6	2610	3171
Week 9-15/11	38.7	47.1	2644	3263
Week 16-22/11	46.8	44.6	3072	3107
Week 23-29/11	40.4	41.9	2890	2988
Week 6-12/12	53.4	53.9	3159	3076

HNINDEX	Buy vol. avg.	Sell vol avg.	Buy order avg.	Sell order avg.
Week 2-9/11	43.1	40.4	2873	3612
Week 9-15/11	39.4	38.6	3081	3570
Week 16-22/11	37.7	35.3	3295	3223
Week 23-29/11	34.7	36.6	3353	3393
Week 6-12/12	40	46.7	3312	3599

Daily trading statistics

Date	VNI	Volume	Value	Buy volume	Sell volume	Sell order	Buy order	For. Net (bil.)
12/6/2011	390.2	37,927,330	505,940,763,000	63,102,060	60,737,720	3,491	2,972	18.74
12/7/2011	387.21	30,864,012	406,736,456,000	51,974,970	51,166,700	3,285	2,929	-52.00
12/8/2011	381.63	41,597,924	619,889,765,000	49,610,430	49,570,840	3,032	3,089	-52.00
12/9/2011	377.16	31,460,500	409,997,157,000	49,001,900	54,037,740	2,829	3,315	-25.62
12/12/2011	375.3	37,716,548	560,903,982,000	45,096,930	48,863,940	3,064	3,197	-9.11

Date	HNX	Volume	Value	Buy volume	Sell volume	Sell order	Buy order	For. Net (bil.)
12/6/2011	62.78	37,501,042	340,719,162,200	49,684,200	62,725,400	3,531	3,442	2.46
12/7/2011	62.51	26,195,530	245,175,749,000	34,955,500	46,558,600	3,586	3,350	-5.56
12/8/2011	62.59	25,340,300	238,453,152,000	40,696,100	41,456,900	3,456	3,580	-6.23
12/9/2011	61.73	26,065,200	248,454,500,000	38,041,900	43,334,900	2,965	3,928	1.24
12/12/2011	61.36	26,166,672	224,904,513,800	36,494,300	39,671,800	3,020	3,696	-0.03

No comment this week.

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