

## WEEKLY REPORT

### Week 3- November-2011

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**SHF**

- **World stock markets: No clear trading direction ahead**
- **Vietnam: Historical low broken and there's a signal for a rebound on HNXindex but it may not last long**

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**Europe: Berlusconi resigned but Europe has not calmed down yet**

Upon pressure from the bond market as interest rates sky-rocketed to over 7% for 10 year bonds and the lower house of parliament did not pass the austerity measures sent by Berlusconi’s government, the current prime minister agreed to step down in exchange for an approval on the measures to restore confidence in Italy’s economy. Monti, the dean of Bocconi university and an ex-EU commissioner replaced Berlusconi as prime minister, but the ex- prime minister can still have influence as his party takes control of the parliament.

The bond market dropped 50 points initially but climbed to above 7% for 10 years bond which implied that the investors are still worried about Europe situation as well as troubles laying ahead Italy’s new government. Italy’s 5 year bond did find some buying at 6.23%, up from 5.3% last month but apart from ECB, there’s no other buyers in the secondary market and even ECB has been scaling down its purchase.

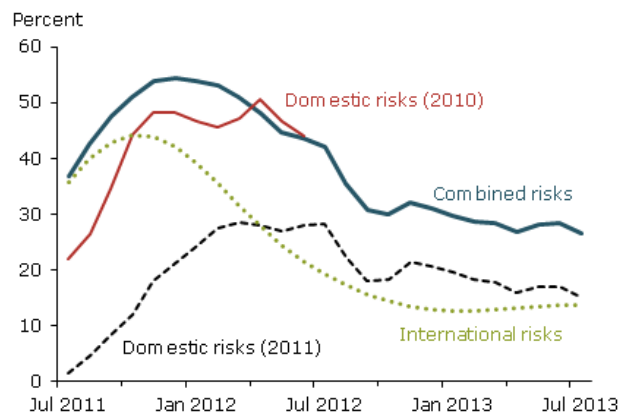
Bundesbank’s president refused to used ECB as the lender of last resort and asked for political reform. He commented that to increase the size of EFSF helped but it did not resolve the problem. Some estimate that EU can need up to 3000 bil. EUR to save the peripheral countries. One note is that no countries with bond rate over 7% has been successfully avoided the bail out so far (Portugal,

Ireland, Greece) and we don’t know for sure if Italy can be an exception.

**Word: Leading indicators pointing to a slow down of world economy**

Research focusing on using leading indicators to predict the turning point of the world economy showed that Japan, Russia, US pointed to slowdowns in growth toward long term trend, while Canada, France, Germany, Italy, UK, Brazil, China, India and Euro area pointed to economic activity below long term trend.

The impact of the crisis has spread even to emerging economies such as China, Brazil, India. Fed San Francisco forecast a 50% chance of a recession next year in US in Q1/2012.

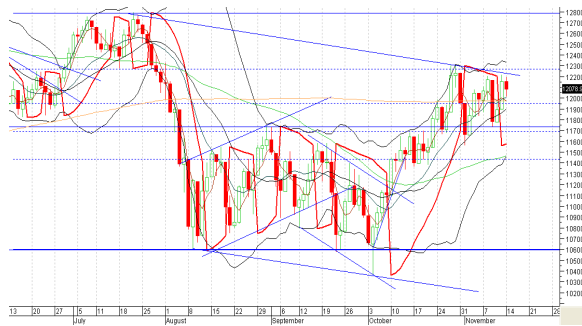


Source: FED San Francisco

## Stock market

### U.S:

Dow Jones has not moved much and still under the pressure from the resistance trend line at 12.200. The MACD has signaled a sell indicator a few sessions ago while RSI, ADX has not signaled a down trend yet.



*Dow Jones on 11/14/2011*



*Shanghai index on 11/14/2011*

Shanghai impressive bounce back hit resistance line to fall for 2 sessions. However, stocks managed to test the trend line again. If this test is successful, Shanghai index has the chance to move out of its downtrend channel starting since April, 2011.

## Gold

Gold has its first signal of weakness as the price broke down the Psar support. However, the short term trend line is still kept intact. While gold benefits from the turmoil in Europe, the news that Paulson gold trust dumped one third of its holdings to compensate for the bad performance of his other funds raised some concerns about the volatility of gold.

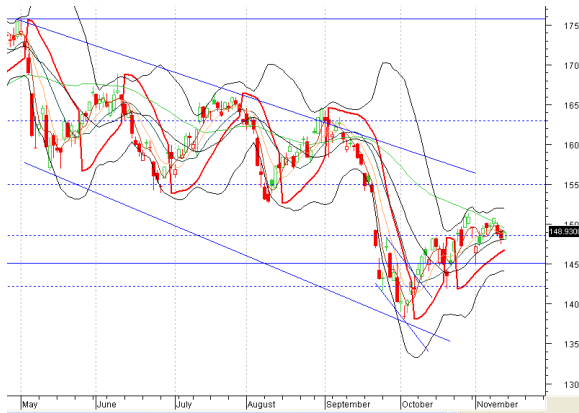


*Gold price at the end of 11/14/11*

## Other channels

### Commodities:

Commodities is facing the downward pressure from MA50, RSI and ADX have also sent sell indicators and MACD may generate a sell signal soon. Commodities is unlikely to rise in the short term.



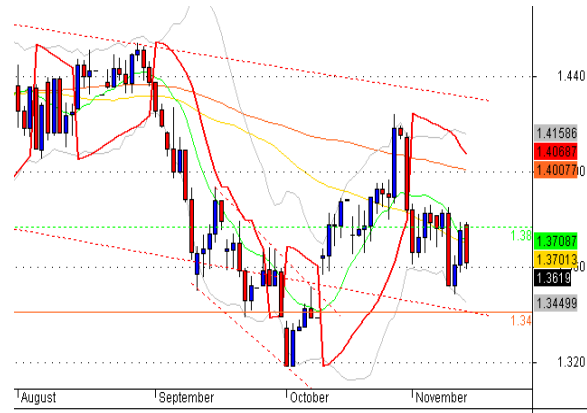
Commodities index on 11/14/2011

## USD rally versus JPY dies out, EUR in downtrend

Japan's intervention in the FX market failed to leave a long term impact on yen as this currency continues to rise against USD. Although Japan has marked an impressive growth of 1.5% annualized for Q3/2011, the rise of Yen will hurt the recovery and exporters.



USDJPY on 11/14/2011: USD continues its downtrend after one day rally.



EURUSD on 11/14/2011

EUR is still confirmed in the downtrend versus USD as the worries about Italy scared investors from EUR to flight for safety assets such as JPY or US bond.

## Crude Oil

Oil is still in its test of the resistance trend line.



Brent Crude Oil on 11/14/2011

Source: Financial times

## HD bank received hard penalty for breaking deposit ceiling

The government signaled a strong hand as HD bank was punished for offering deposit rate above the rate of 14% per year targeted by the government.

With the current 14% ceiling, there's has been a strong flow of funds from small banks to state-owned banks, which drove small banks to a liquidity drought. Some banks had to borrow from the interbank market at a rate of 37% per year.

BIDV stepped up to provide credit line for another small bank, Ficombank, suggesting the likelihood of further acquisitions. BIDV so far has provided lines for Bac A bank, GP bank, and now Ficombank.

## State bank opened room for specific properties credit but left now impact on the overall market so far

On one hand, the State bank required banks to report their properties credit at the 12<sup>th</sup> day of each month. On the other hand, it opened room for 4 specific types of properties credit focusing on those providing social benefits (housing for workers, housing for low income families) and mortgage.

To support state owned bank in the bad debt crisis, the State bank has been building a plan to

recapitalize state owned banks, especially Agriculture bank with a current bad debt reading at 6.67%. We suspect that the State bank will also use this channel to provide funds for state-owned banks to acquire smaller banks.

The State bank would publicize the health of banking system by providing ratings of banks based on 5 indicators: ROE, ROA, bad debt ratio, CAR, and current loans to different sectors. Some small banks may face great danger of withdrawal if this happens. Then we guess the State bank has also had a plan to support those banks or support the acquisitions of these small banks. Small banks that pass the test, however, can revive some confidence from depositors.

## Stock market performance

Impacted by the complicated situation around the global crisis and the worries that Vietnam economy will not recover for the next 18 months, the selling pressure geared up this week. Our SHF index fell 7% and industries got hit the most are real estate, constructions, rubber related products. While stock valuations are generally cheap, the flight to safety and the pressure from foreigner's withdrawal from Vietnam stock market gave a strong blow to stock market. Blue chips such as HAG, HPG, SJS are on the way to its historical low set up 2 years ago. Properties, securities, materials and sea transportation are the hardest hit, while food and agriculture sectors beat the overall market.



*HNXINDEX set up a low reliability harami bullish pattern as the index drops to its support trend line. We may expect a pull back to MA10 next session.*



*Selling pressure is larger on VNI than on Hnx index as some foreign investors liquidate their holdings*

## Foreigner activities

Foreigners were more active in their trading last week with their transactions accounting for almost 30% of the market.

While foreigners are net buyers, they mostly buy through the negotiation channel and are net sellers on the normal market.

Banking, sea transportation, and securities are the industries that foreigners sell the most, while they tend to be net buyers in industries such as rubber, technology and chemicals, industries less affected by the economy downturn.

## Sell order takes advantages of buy orders as indexes retest its low

The gap between sell order and buy order grew bigger as the market entered a downturn with no visible bottom. Total sell orders also traced total buy orders by a big gap of up to 10 mil. Share per day on Vnindex. However, the gap is smaller on HNX as the foreigners are less active here. That suggests HNX is more likely to rebound shortly than VNINDEX.

## Suggestion: Is there a rebound and how long is it?

Hnxindex rebounded today as major stocks such as KLS, VND, VCG are retesting its recent low and buying pressure increases. All these major stocks are traded around its original value of 10.000 vnd per share which suggest the downsize risk is smaller in the short term.

However, we don't think that market leaders can attract other investors at the moment and the rebound tends to be short with nearest resistance level at 65 for HNX. If stock resumes its downtrend, we expect a short term support at 60.5 for HNX and 360-380 for Vnindex.

## Stock market valuation

Date	31-Dec	9-Nov	10-Nov	11-Nov	14-Nov	15-Nov	Change this week	Change last week
P/E Market	12.65	10.18	9.99	9.81	9.59	9.46	-7.09%	-2.55%
Median	9.2	5.98	6.02	6.02	5.95	5.95	-0.49%	-1.93%
Top 3	25.35	25.56	25.56	25.22	24.96	24.94	-2.43%	-0.92%
Top 11	17.56	17.31	17.17	16.92	16.70	16.55	-4.38%	-0.35%
Securities company	41.37	34.00	33.04	32.82	32.08	31.78	-6.55%	-1.31%
Real Estate	13.7	13.03	12.60	12.08	11.64	11.27	-13.52%	-3.84%
Banks	10.36	8.40	8.32	8.27	8.10	8.12	-3.40%	-2.75%
Industrials	13.68	8.01	7.88	7.71	7.45	7.26	-9.41%	-4.94%
Insurance	18.26	16.71	16.57	16.44	16.34	16.53	-1.06%	-0.80%
Pharmaceuticals	9.82	6.57	6.55	6.53	6.50	6.49	-1.13%	3.14%
Food	7.86	8.39	8.35	8.29	8.25	8.17	-2.71%	0.47%
Construction	25.89	17.87	17.20	17.07	16.20	16.24	-9.11%	-4.36%
Transportation	9.14	4.55	4.53	4.51	4.38	4.31	-5.26%	-10.25%
Chemicals	7	4.23	4.18	4.20	4.11	4.09	-3.37%	-0.86%
Construction material	12.93	7.62	7.47	7.29	7.16	7.10	-6.82%	-3.20%
Technology	9.66	6.16	6.21	6.14	6.05	5.93	-3.74%	-4.63%
Rubber	7.42	4.39	4.42	4.37	4.29	4.29	-2.31%	-1.93%
Power	7.56	5.54	5.54	5.54	5.48	5.54	0.00%	0.00%
Rubber related products	12.58	5.93	5.92	5.74	5.51	5.40	-8.90%	-3.13%
Oil and petroleum	7	5.03	5.00	4.99	4.90	4.88	-3.00%	-0.66%

## 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
Week 2-9/11	45.3	45.6	2610	3171
Week 9-15/11	38.7	47.1	2644	3263
Change	-14.57%	3.29%	1.30%	2.90%

<b>HNXINDEX</b>	<b>Buy vol. avg.</b>	<b>Sell vol avg.</b>	<b>Buy order avg.</b>	<b>Sell order avg.</b>
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
Week 25/10- 2/11	53.5	46.5	3447	3079
Week 2-9/11	43.1	40.4	2873	3612
Week 9-15/11	39.4	38.6	3081	3570
Change	-1.96%	-16.52%	13.22%	-5.04%

## Daily trading statistics

Date	VNI	Volume	Value	Buy volume	Sell volume	Sell order	Buy order	For. Net (bil.)
11/9/2011	405.19	24,295,778	502,456,149,000	35,872,050	40205760	2,525	2,998	-1.40
11/10/2011	401.03	25,317,866	511,976,954,000	39,434,080	45762450	2,688	3,230	-2.99
11/11/2011	396.3	37,282,596	574,423,877,000	37,729,460	49525090	2,601	3,427	-2.25
11/14/2011	391.74	37,097,067	557,466,863,000	41,913,060	52853890	2,763	3,399	-0.76
11/15/2011	387.87	37,104,623	877,723,504,000	44,564,010	48991020	2,716	3,541	-0.13

Date	HNX	Volume	Value	Buy volume	Sell volume	Sell order	Buy order	For. Net (bil.)
11/9/2011	64.6	24,841,600	255,829,130,000	36,509,900	38,235,100	3,017	3,448	-0.01
11/10/2011	63.82	28,436,500	258,976,860,000	44,253,800	41,480,400	3,101	3,599	0.04
11/11/2011	63.6	21,406,620	207,081,082,000	36,606,500	35,530,900	3,077	3,557	0.02
11/14/2011	62.45	48,650,555	389,569,186,200	39,549,600	44,845,800	2,962	3,975	-0.03
11/15/2011	63.06	30,664,282	278,776,743,400	39,933,000	32,828,000	3,251	3,271	0.07

*No comment this week.*

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