

WEEKLY REPORT

Week 4- November-2011

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Europe: Worries of a France downgrade crushes stocks

Worldwide stock markets crushed as Moody cited that the higher borrowing costs of France makes it risking loosing AAA credit rating. The gap between France's 10 year bond and Germany's one has climbed up to 163 points, a 20 basis point increase.

Experts say that now with France's risking losing its ratings, the weight is on Germany. Finally, there are only two options for Germany, both with heavy costs, either to use Eurobond to save the peripheral countries or break up from Euro.

The risk of spreading crisis is higher as Europe crisis has brought swap spread for US banks are now above the highs of a year ago. Banks are more reluctant on lending as they don't know the risk of counter parties. Similar situation in 2008 has given an early warning of the follow-up recession.

China: Rising worries of the first hard landing

According to Financials Times, the number of property transactions in China has fallen to dangerously low levels, risking a hard landing for the economy as property accounts for 13% of GDP.

In October 2011 alone, transactions fell 38% y-o-y in China's 15 biggest cities. National wide, transactions fell 11.6%, accelerating from a 7 % fall in September. Prices have just started to fall, with new houses in BIG 4 cities declined in October after leveling the 3 previous months.

China has used expansionary policies to counter the crisis in 2008 and now, some experts expect similar moves. Credit to property market is likely to be loosen as the effect on the economy get worse, particularly when China's deputy prime minister commented the world economy is in a prolong recession

Europe problem seemed to touch emerging markets as funds withdrew from these markets to have capital to recapitalize at home. In October, net withdrawal in China is \$ 3.91 bil. (21 bil. if not including trade surplus) relatively to a net inflow of 40 bil in September. Similarly, Russia's presidents of central bank voiced up his worries of foreigner's outflows, which was at \$14 and \$13 bil. for September and October.

The flow to safety assets such as US bonds has forced emerging countries to use its reserve to counter the flow deficit. In October, Russia had to sell \$5 bil. to the market to satisfy the need of outflows.

US: Economic data kept improving but the worst may yet to come

US economy has shown strong resistance to Europe crisis so far as economic data (initial jobless claim, retail sales, housing starts) have been improving. However, Fed asserted that next Q1/2012 the economy may have the highest chance of recession at a risk of 50%. The failure of the super committee in agreeing on the \$1,200 trillion cut this week spurred some worries.

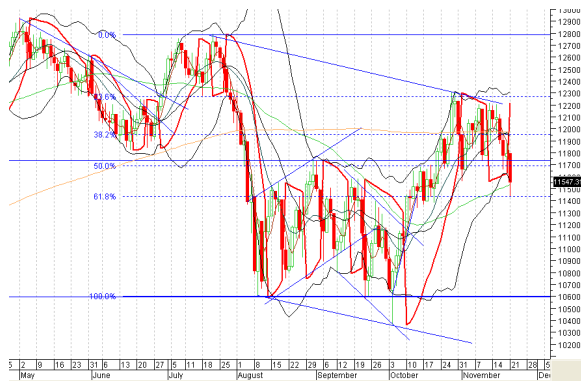
Stock market

U.S:

US stocks got crush as the worries about France's losing its rating and high swap spread for US banks give warnings of a new recession.

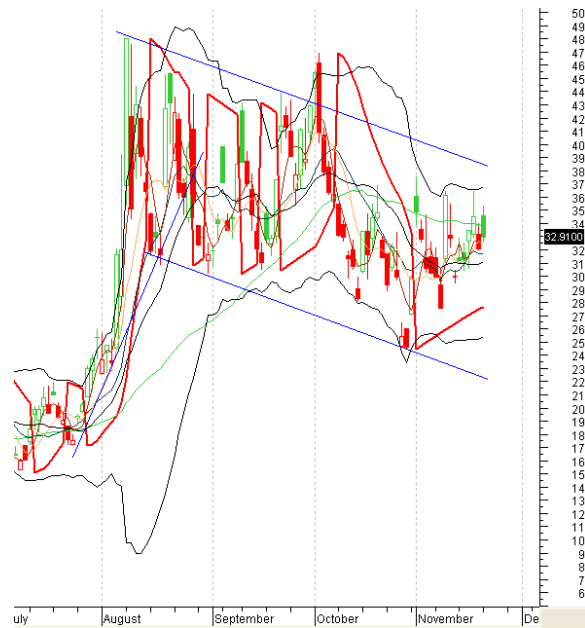
Dow Jones has broken down the P-Sar and the double top model suggest further fall of this index. The nearest support at Fibonacci 50% at 11.400 but we think that DJ will fall further to test its Fibonacci 61.8% at 11.200 in the short term and even its recent low of 10.400 in the mid term.

This happens as the economic data improved but the market reflects more of the Europe fear that has not yet affected the real economy but the pressure is forecast to be much higher in the first quarter of 2012.



Dow Jones on 11/21/2011

On the other hand, VIX index which measures investor fear climbed high even though it is still in a short term correction.

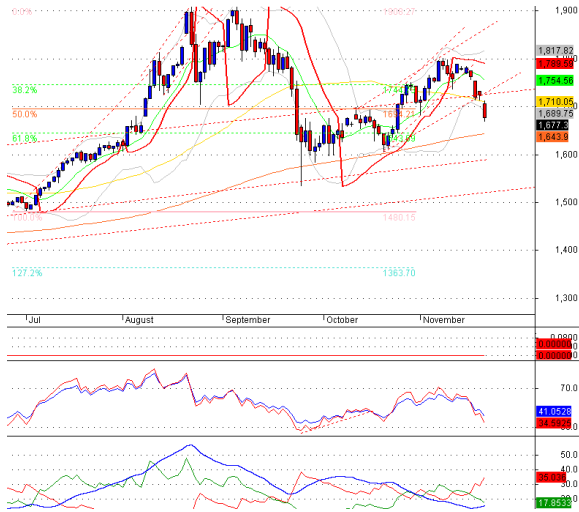


VIX index on 11/21/2011

Gold

Gold has moved in tandem with stock markets and faced sellout similarly. Gold has lost its support at 1710 and is likely to drop to 1640 (MA150) or worse, 1530 which is the support uptrend line. Gold has still been a favorites among central banks in its effort to diversify, which counters the sell off from private investors.

Both ADX and RSI suggest a downtrend of gold but as it moves to the oversold region we expect gold to bounce back in the short term

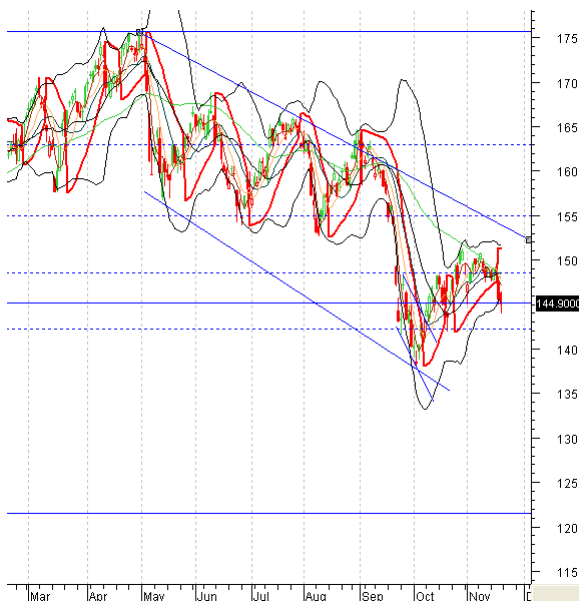


Gold price at the end of 11/21/11

Other channels

Commodities:

Commodities is still in its downtrend as demand dies out as China slows down, not to mention the withdrawal of bull speculators. Technically, the MA50 line that is moving downward is putting hard pressure on commodities to fall.



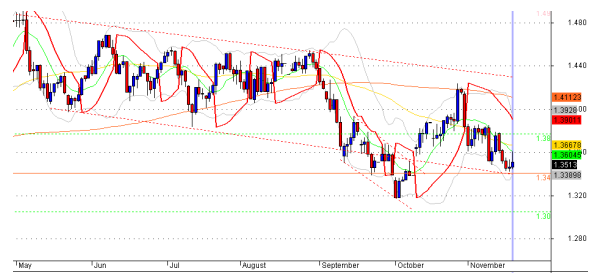
Commodities index on 11/21/2011

USD rally versus JPY dies out, EUR in downtrend

EUR has continued its downtrend but is having a near term support at 1.34. With situations in Europe getting worse, maybe this time EUR will break down the support trend line to form a new downward trend.



USDJPY on 11/21/2011: USD continues its downtrend after one day rally.



EURUSD on 11/21/2011

The search for safety assets also makes JPY stronger and neutralizes the short term effect from Bank of Japan's intervention in the FX market.

Crude Oil

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



Brent crude oil for last 5 days



Brent Crude Oil on 11/21/2011

Source: Financial times

Brent crude oil failed to break the resistance trend line 112 and now resumes its mid-term downtrend. With demand for oil reduced as the global economy continues to slow down next year, the downward trend of oil may last long.

Encouraging CPI reading failed to lift the market up

As demand dies out and the economy slows down under the effect of the new risk of global double recession, CPI reading for November has been quite low compared with those of other years.

Hanoi CPI reads at 0.29% m-o-m rise, which makes year-to-date CPI at 16.26%. Cereals products put an upward pressure on CPI but is neutralized by the cut in food price (down 0.39%).

Hochiminh city CPI reads also at a 0.28% m-o-m rise and 15.02% year to date. Cereal prices up 4.56% making it the biggest catalyst for CPI rise. However, several other products see price cuts which neutralize the effect of higher cereal price such as housing & energy (-0.36%), telecommunication (-0.21%) and recreation activities (-0.5%).

Reading for provinces however seems quite high, which suggests that national CPI may be higher than those of two biggest cities. Long An CPI reads at 0.68% m-o-m increase, contributed largely by cereal and food products (up 1.16%), making year to date CPI at 17.86%.

Brands of different gold producers recognized for transaction but dollars sold to jewelry confiscated

Gold market gets a lot of interests as Vietnam citizens look for this channel as safety asset.

Recently, there's speculation that gold market, currently owned up to 90% by SJC, will be consolidated with SJC the sole producers in the long term. In the short term, however, other brands of gold are recognized in the transition periods for 6 months to 12 months. Later, only firms authorized by the State bank can produce gold. That means State Bank takes control tightly of gold market in the future. State bank will capture all US dollar transactions between citizens and jewelry stores, which means that all "black market" transactions are forbidden and severely punished.

Whilst, small banks keep raising gold deposit rate as they face a bank rush in a large scale. Currently, while gold deposit directly is forbidden, banks are allowed to issue gold certificate to customers if gold in hand is not sufficient to cover withdrawal need.

Stock market performance

Continued fear of the risk of double recession over the world, the bad form of Vietnam economy and firms and the outflows of funds facing closure deadline takes control of the market, leading to a low volume transaction. However, selling pressure is much smaller as the indexes drop to its near term support of 370- 380 on Vnindex and 60-61.5 on Hnxindex.

In particular, HNX form a bullish divergence signal as RSI has established a higher bottom despite stock falling after RSI has fallen to oversold region. The last time it happened, HNX enjoyed a strong 15% rebound in July 2011 out of nowhere. This time, if the index can overcome resistance level at 62.5 and 63, we think that HNX is likely to have a similar rebound.

On Hochiminh stock exchange, key blue chips have reached the lowest in their history set up almost 3 years ago. That also brings some support for stocks overall as these stocks are very cheap in valuation and what worries now is just how long is the bottom forming period.



RSI forms a bullish divergence model and may signal a short term rebound of Hnxindex.



VNINDEX: Selling pressure dying out open opportunities for a short term bounce back.

Foreigner activities

Foreigners kept on its selling pressure this week. They seem to lose their love for key ETF such as OGC, PVF, CTG that have enjoyed a strong inflows last year. They come back to buy key blue chips (at small amounts) such as SSI, FPT or HPG.

Sell order takes advantages of buy orders but a balance is being set

The gap between sell order and buy order grew smaller as the indexes dropped down to its strong support levels. The balance has been particularly strong in the last two days. Total buy volume has been bigger than total sell volume for 3 days so this indicator also suggests a rebound of two indexes.

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

Stocks kept on falling last week but the momentum was slowing down compared to week 9-15. Nov. Securities and Real estate stocks find some demand to support its price while constructions and industrials were hit very hard last week.

The opportunities for a rebound grow bigger with recent technical supports. The two indexes however, need to break its MA.10 , which is

around 390 on VNINDEX and 63 on Hnxindex, to confirm a rebound for more than 4 trading days.

If stocks fail at these levels, the downtrend may resume to test recent lows and may look for deeper lows.

We, then, suggest short term investors wait for these key moments before being active again in buying. Long term investors can buy selectively now as many key stocks have dropped to its lowest ever.

Stock market valuation

Date	31-Dec	16-Nov	17-Nov	18-Nov	21-Nov	22-Nov	Change this week	Change last week
P/E Market	12.65	9.62	9.45	9.26	9.20	9.25	-3.82%	-7.09%
Median	9.2	5.88	5.79	5.75	5.82	5.81	-1.18%	-0.49%
Top 3	25.35	25.11	24.32	23.75	23.07	23.64	-5.84%	-2.43%
Top 11	17.56	16.83	16.55	16.13	16.05	16.26	-3.39%	-4.38%
Securities company	41.37	32.76	32.14	32.11	31.75	32.31	-1.38%	-6.55%
Real Estate	13.7	11.59	11.39	11.16	11.12	11.21	-3.27%	-13.52%
Banks	10.36	8.30	8.26	8.22	8.21	8.23	-0.77%	-3.40%
Industrials	13.68	7.24	7.02	6.78	6.69	6.65	-8.16%	-9.41%
Insurance	18.26	16.76	16.33	16.18	15.66	16.15	-3.62%	-1.06%
Pharmaceuticals	9.82	6.47	6.21	6.08	6.13	6.07	-6.17%	-1.13%
Food	7.86	8.09	7.95	7.80	7.87	7.85	-3.04%	-2.71%
Construction	25.89	16.73	16.28	15.50	15.30	15.05	-10.01%	-9.11%
Transportation	9.14	4.48	4.47	4.37	4.25	4.26	-4.94%	-5.26%
Chemicals	7	4.01	3.95	3.99	4.02	4.08	1.71%	-3.37%
Construction material	12.93	7.20	7.01	6.90	6.72	6.89	-4.32%	-6.82%
Technology	9.66	5.89	5.98	5.90	5.84	5.90	0.20%	-3.74%
Rubber	7.42	4.31	4.32	4.24	4.26	4.21	-2.45%	-2.31%
Power	7.56	5.59	5.54	5.54	5.54	5.59	0.00%	0.00%
Rubber related products	12.58	5.50	5.44	5.33	5.21	5.23	-4.93%	-8.90%
Oil and petroleum	7	4.95	4.92	4.84	4.79	4.76	-3.89%	-3.00%

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
Week 16-22/11	46.8	44.6	3072	3107
Change	20.93%	-5.31%	16.19%	-4.78%

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
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
Week 16-22/11	37.7	35.3	3295	3223
Change	-4.31%	-8.55%	6.95%	-9.72%

Daily trading statistics

Date	VNI	Volume	Value	Buy volume	Sell volume	Sell order	Buy order	For. Net (bil.)
11/16/2011	390.89	33,191,610	711,064,192,000	54,730,980	44,093,190	3,021	3,165	-65.76
11/17/2011	385.86	33,911,870	556,219,597,000	42,782,420	47,094,260	2,996	3,028	-35.53
11/18/2011	379.14	34,394,680	542,901,094,000	49,270,450	49,644,760	3,107	3,312	-29.59
11/21/2011	379.14	21,206,979	326,669,464,000	40,459,520	37,718,880	3,165	2,925	-22.05
11/22/2011	381.76	32,278,855	474,478,136,000	0	0	--	--	43.52

Date	VNI	Volume	Value	Buy volume	Sell volume	Sell order	Buy order	For. Net (bil.)
11/16/2011	64.14	33,183,300	323,608,460,000	49,867,300	36,471,400	3,616	3,109	9.27
11/17/2011	62.88	24,344,900	247,558,870,000	34,100,200	41,166,900	3,316	3,254	1.45
11/18/2011	61.85	25,082,361	227,810,676,000	38,715,300	37,823,100	3,242	3,582	3.42
11/21/2011	61.68	18,193,510	162,715,459,000	29,355,900	29,649,100	3,166	3,133	-2.56
11/22/2011	61.74	23,244,673	217,471,266,000	36,496,200	31,529,500	3,135	3,037	3.30

No comment this week.

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