



Weekly Report 03

Economics

- Plan of stimulus package extension in context of surprising going up of inflation
- As long as economic stimulus packages has been considered for recovering the world economy
- Continuous heat of monetary interest rate put pressure on basic interest rate mechanism

Equity

- Accumulating activities had appeared sharply to be at 550 pts level with optimistic psychology on quarter III of listed enterprises
- Real estate continued to be attractive sector last week, however, turning around sectors seemed to be notable remark
- Impressive rebound of banking and financial sectors expected to be centric point of the coming week

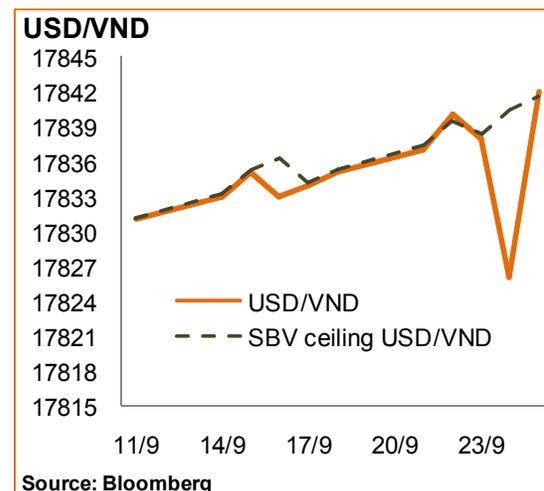
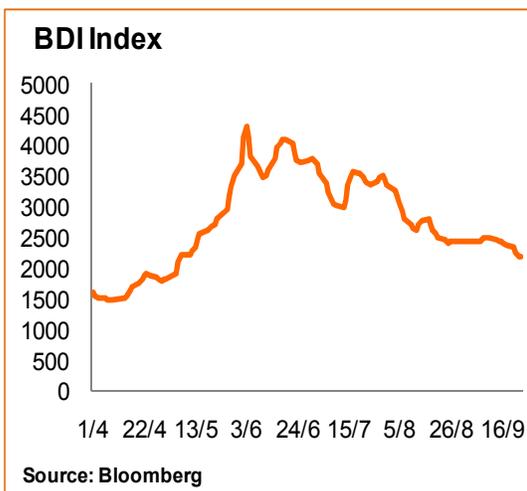
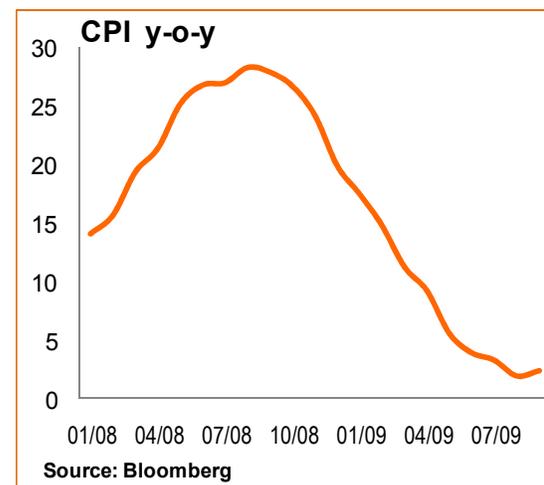
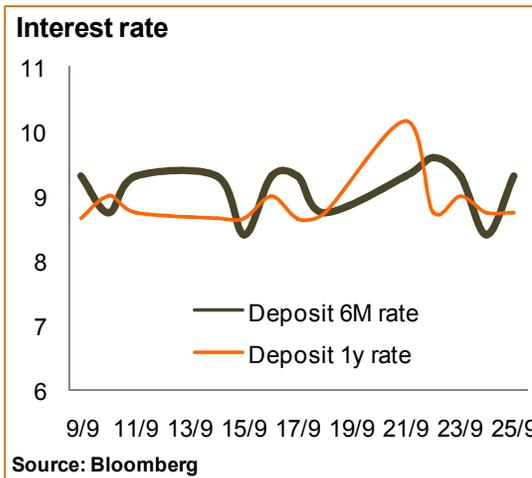
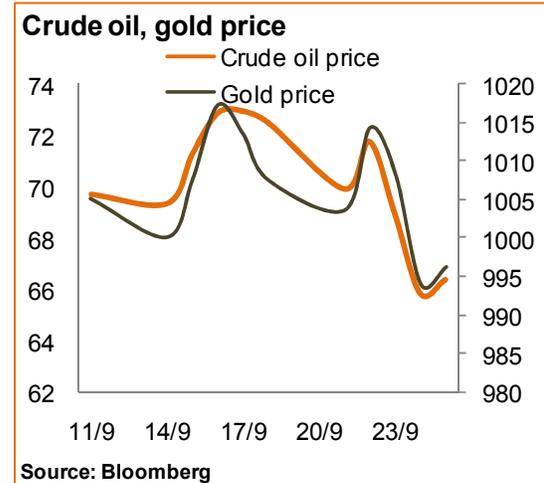
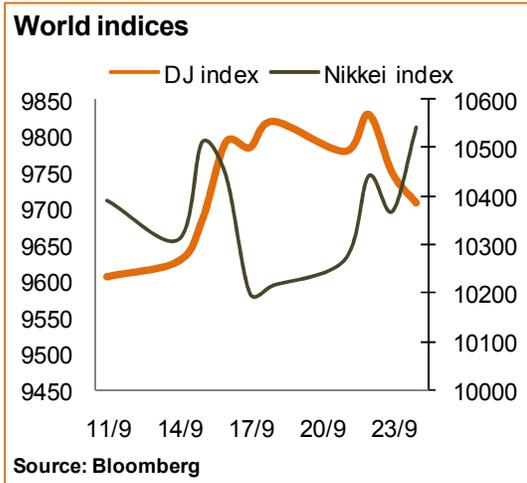
Despite two retreatment sessions within the week, total trading value still remained at high level (6,700 billions VND on Sep 23). Demand power also advanced while profit locking activity happened strongly. VN Index ended the week with an impressive rebound of banking shares. We think that this group will be the leader of the stock market next week.

“Extending stimulus package” plan might not be over soon. However, the surprising increase of CPI of September.2009 may create negative impact on investors sentiment. Indices are predicted to increase while waiting business earnings in QIII/2009 to be released. Investors are recommended to hold shares together with restructuring their investment portfolio by focusing on expected good performance shares. Steel, aquaculture and petroleum shares should be put on watch list next week.

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ECONOMICS

- Plan of an “extensive stimulus package” and surprising increase of CPI of September.2009
- Interest rate continued to pull up and pressure on adjusting of basic interest mechanism
- Fed remains basic rates at a record low level, world stock market steps into a short term correction when the threshold at 9,900pts of DJ could not be broken

“Extending stimulus package” plan and the policy carefulness in the context of on-going inflation

The story of extending stimulus packages appeared to be concerned issue of almost Government over the world as well as Vietnamese Government last week. Therefore, carefulness in policy management has been remarked seriously in order to lessen concerning about inflation and avoid soon cutting down of stimulus packages for economic recovery. In spite of accepting effectiveness of interest rate subsidized program in last 9 months, these supporting activities may hidden risks of dissipating and loss. Besides in case of strongly implement 4% interest rate subsidized program the same as 2009, state budget would face with disadvantages, notably its collecting source has been narrowed.

In our opinion, in the coming time in line with maintaining basic interest rate, Vietnam has been not ready for putting an end to supporting activities for economy. However, careful and flexible policy decisions are expected in next week aiming to make sure objective movement of monetary, interest rate, credit factors in economy. **Besides, despite increasing inflation in September (up 0.62% monthly, up 4.11% in compared with December 2008 and up 2.42% y-o-y) was not serious**

problem, it must be important event which may be taken into accounted of careful policy management.

Hot interest rate on monetary market and the pressure on basic interest mechanism

On contrary to phenomenon occurring in last three months, saving interest rates have been strongly pushed up all kinds of terms, notably at short-term deposit with popular rate of 8-9.5%. Meanwhile lending interest rate for normal business has been maintained at 9.5-10.5.

This problem has been influenced severely commercial banks in covering expenses as well as possibility of getting profit target (spread of mobilizing rate and lending rate must be at least 2.5-3.5%). In point of macro economic view, interest rate movement has been significant indicator for cash flow in our economy. Monetary market interest rate has accelerated owing to real fund demand of commercial bank system and pressure to make savings more attractive than other investment channels. This movement currently put pressure on basic rate as well as interest rate mechanism. ***Therefore, basic rate mechanism should be managed flexibly in the coming time, especially in the context of “running inflation”. However we also affirmed that the time of making policy***

decision is the notable issue if tense of mobilizing funds continues. However, whenever basic interest rate in the world has been not adjusted Vietnam basic interest rate will be maintained in some more short time

Official launching of specialized Government bond market – New potentiality for commercial banks

On 24th September, Hanoi Securities transaction centre (HNX) has officially put into operation specialized Government bond market system. This is one of three important systems of HNX beside listed market and newly-launched UPCoM. This also is the effective mobilizing channel for demand stimulus target of Government however, up to now, Government bond transaction has accounted for only 6-10%/GDP and liquidity is still low, not meeting fund exchanges (notably for short-term fund) of commercial banks.

We supposed that, with operating of this specialized bond market, ***expectation for taking shape of standard interest curve will be come true in order to enhance vital role of financial instruments such as repos, future, Option as well as other derivatives.*** Besides permitting commercial banks to become direct members on trading system will lower expenses, improve liquidity as well as make commercial banks more active in ensuring their fund demands.

FED remains basic rates at a record low level, sees stronger economy

On Wednesday, September 23rd 2009, after two-day meeting on monetary policy, the Fed said in its statement as follow:

- (1) **Economy has been picked up and on the path to recovery** thanks to the

improvement of financial market conditions, the raising activity in housing sector and the stabilization of household spendings.

- (2) **The target rate for overnight loans between banks remains at a record low of between zero and 0.25 percent**, which is set since last December. FED stated that inflation will stay low for a while, as latest figures showed that inflation (excluding energy and food price) in US only added 0.1 percent in August 2009 and increased 1.4 percent as compared with same period last year – the lowest level since February 2004.
- (3) The Fed will **slow its purchases of mortgage securities until the end of Q1/2010**. It can be seen as the initial step to withdraw its stimulus measures.

Notably, The Fed has changed the wording in the final paragraph of its statement to say it will continue to employ “**a wide range of tools**” instead of “**all available tools**” it said in its August statement to bolster the economy. **After series of tools to secure a recovery, the Fed seems to run out of measures.**

US and European stocks posted biggest weekly declines since July 2009

After a week of dramatical increase, world indices started to fluctuate and investors began to be more cautious as the new ground for stock prices have already been established. As soon as the basic rate is still maintained by the Fed, US stocks surged strongly, even passed the level of 9,900 points. However, Dow suddenly dropped when investors scared that Fed is planning to stand down on the stimulus. Demand for U.S durable goods unexpectedly



fell in August and loans to households and companies in Europe grew at the slowest pace on record led to the biggest weekly declines of US and European stocks since July 2009.

ADB raised its forecast on Asia economic development in 2009

Asian Development Bank (ADB) has raised its economic forecast for the Asian region. It predicted that Asia (excluding Japan) will grow **3.9 percent** in 2009, instead of 3.4 percent on its March report due to fast development of China, India and Indonesia. By loosening monetary policies and implementing stimulus packages value up to 950 billions USD, Asian governments are lifting up their own economy and preventing from the global crisis. ADB predicted that China economy will grow 8.2 percent, India and Indonesia will grow 6 percent and 4.3 percent respectively this year. Korea is forecast to post a negative 2 percent growth at the end of the year. Inflation of the region might stand at an average level of 2.5 percent in 2009.

Comments

Fed meeting and group of 20 leaders talk are two big events that have greatest impact on the stock markets around the world this week. The

fallen of stock markets around the world showed that there are still a lot of problems reducing the recovery of the world economy. It will obviously take a fair amount of time to have the economy growing and require more standard measures of governments around the world.

Given the fact that gold and oil prices will have unexpected changings, as well as a lot of important reports to be released in next week, the world stock market is predicted to retreat or step into short term correction in next week.

Economic Calendar Sep 29 – Oct 02:

Tuesday Sep 29	Wednesday Sep 30	Thursday Oct 1	Friday Oct 2
Consumer Confidence	GDP QII/2009 (last updated)	ISM Mfg Index	Employment Situation
S&P Case-Shiller HPI	Chicago PMI	Jobless Claims	Factory Orders
	ADP Employer Report	Pending Home Sales Index	
		Personal Income	
		Construction Spending	

Source: Bloomberg

EQUITY

- Strongly distributed around 550pts zone before business results in QIII/2009 are released
- The uptrend will be maintained in short term, banking industry might become the highlight in the stock market next week

VN Index movements from 21 Sep – 25 Sep



Technical Analysis

- Reverse signs showed in 2 sessions on September 23 when wave 5 reached its threshold of 1.618 accompanied with a sharp increase of 21% in trading volume compared with previous sessions.
- Technical signs but Stochastic Oscillator has not yet confirmed the short-term downtrend.
- Trading volumes remained larger than the average 30 days' which were 62.5 million shares on HOSE and 32.8 million on HNX and kept supporting short term trend.
- Negative divergence sign remained in the middle of price line; most technical indicators such as RSI, MACD, Momentum indicated weakening market.

HNX Index movements from 21Sep - 25 Sep



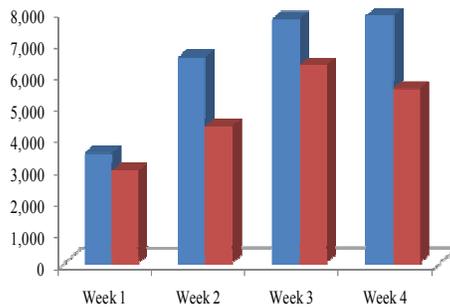
Conclusion: As stated in the previous report, such technical indicators as Stochastic Oscillator, Bollinger and RSI have alerted that the market came to overbought level and the adjusting session took place this week. Currently it is still not clear if this is a technical adjustment due to the interest adding up activity after 9 consecutive up sessions or this is a short-term trend adjustment. Recently moves showed that there were no more than 3 consecutive down sessions. The trend of awaiting the bottom was promoted in the third or fourth sessions. Thus, awaiting the bottom will be promoted in tomorrow's session and the next 2 sessions' developments will greatly affect market trends. In case of adjustment, it will not be a deep one thanks to effective price

supporting zone and great trading volume. The short time supporting rates of VN Index and HNX Index are 562 points and 175 points.

Switch between industries in the week

Profit locking activity happened strongly throughout the week from Sep 21 to Sep 25. With the surplus demand, real estate stocks were still the leading group in the first two sessions.

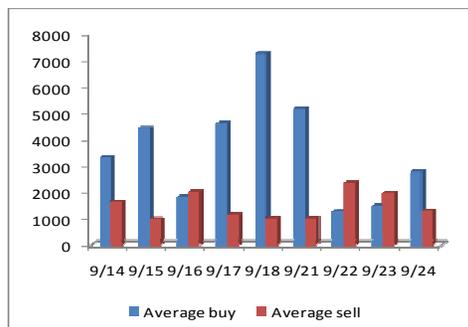
Figure 1: Supply and Demand of real estate stocks (Unit: 10.000 shares)



Source: BSC synthesis

Although several real estate shares were heavily sold out to lock profit, the average buying order scale still exceeded the average offer one. It means that this group is being accumulated for a new increasing period.

Figure 2: Average buying and selling orders scale of SJS within week



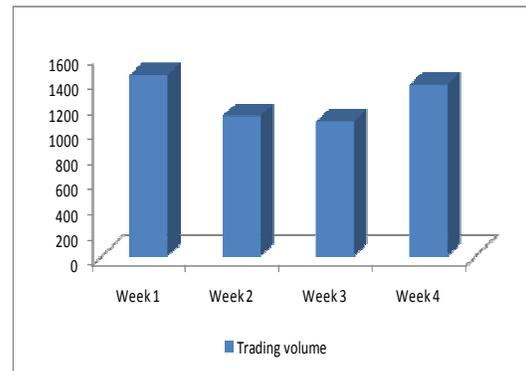
Source: BSC synthesis

After two retreatment sessions, real estate and banking shares continue to be the most active and leading groups at the end of the week.

Along with the uptrend of real estate stocks on HOSE, Song Da and Vinaconex members on HNX increased the whole week.

Besides, aquaculture and petroleum firms which promise to have sound business results till the end of this year still not catch investors' concerns.

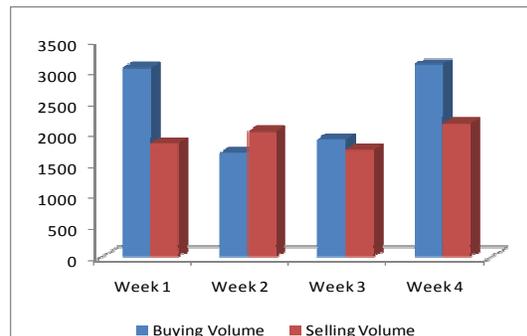
Figure 3: Movements of aquaculture stocks



Source: BSC synthesis

The aquaculture group posted a stable movement in the week. We see signs of accumulation due to the increasing demand over supply power.

Figure 4: Supply and demand of aquaculture stocks



Source: BSC synthesis

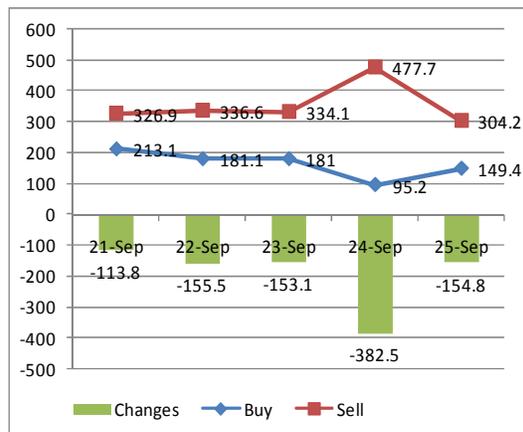
Moreover, medicine and electricity firms forecast to earn higher profit. However, with current uptrend of the stock market, investors seem to pay much attention on growing stocks than on defensive stocks.

Trading of foreign investors

Overseas investors continue to act as net sellers since at the end of the week, total net selling value added up to 959.7 billions dong as compared with 654.2 billions dong last week.

Source: BSC synthesis

Figure 5: Trading of foreign investors



Source: HOSE

Recommendation

The net selling of foreign investors in the 18 consecutive sessions, especially the session of 382.4 billion net sold on September 24 was the most highlighted event in the last week. Since early September, foreign investors have net sold 1834.8 billion which has exceeded their record net purchase of 1796.9 billion in July. Although the foreign block's trading volume accounted for only 15% of the whole market,

their continuous and intentional net selling have greatly affected other investors' thoughts when the market is on its peak in 2009. Despite the two adjusting sessions in the middle of the week, trading volume remained high; a great amount of shares accumulated around the zone of 550 points has made this a firm supporting zone when the market is adjusted downward. Besides, the trend of issuing bonus shares and the upcoming satisfactory trading results of enterprises posted in the third quarter will create a purchase motive in down sessions and lift the market in the next week.

With the profit locking pressure and foreign net sellers at this moment, we think that investors should focus on stocks belonging to medicine and electricity industry since their prices are quite stable during recent months. Additionally, we predict that earnings of those groups will continue to increase until the end of this year. However, steel and rubber stocks are the two suggested group for short wave riders as we forecast their business results will have sudden changes in QIII/2009.

The market will keep its uptrend in the short run and will be actively supported by the money flow between industry groups. However, it is hard to predict the short-term trend due to the US market's downward adjustments and investors' great selling. Thus, keeping up with last week's report, we believe that it is not the right time to raise the number of trading shares in the investment categories. It is better to hold those shares and consider of selling only when VN Index and HNX Index falls below 562 points and 175 points. Steel, aquatic product and oil stocks are recommended in the coming week.

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