



VIETNAM STOCK MARKET

QUARTERLY REPORT QIII - 2009



BIDV Securities Company Ltd.

I. MACROECONOMY

Overview

During the first 9 months in 2009, Vietnam economy has showed signs of recovery along with the improvement of the world market. In this period, Vietnam stock market is benefited from the stimulus package that government has strongly applied. GDP in Q3/2009 climbed at 4.6 percent as compared with the same period last year, and is predicted to reach 5.2-5.3 percent at the end of the year. After implementing interest rates support measure, credit growth has exceeded the ceiling of 30 percent. It is forecast to increase to 33-35 percent at the end of 2009. These positive factors has contributed to the lifting up from the bottom in QI of VN Index.

Along with the economic growth, business earnings of listed firms also improved quarter by quarter. EPS growth of QII advanced 22 percent in comparison with QI, and that of nearly 30 percent in QIII as compared with QII. EPS in the last quarter is estimated to grow 10-15 percent as compared with QIII. Index has even climbed above 600pts. P/E also surged from 6-7 during bottom period to 20-22 at present.

That impressive growth is caused by flexible and reasonable macroeconomic policy of the government. The first stimulus package has been considered as successful movement. Inflation and monetary policy have not yet created obstacles to the recovery. Inflation is forecast to stay at 6-7 percent for the whole year while USD/VND is estimated to range from 18,500 – 18,700. The reason why VND depreciates against USD is that trade gap tends to increase fastly, especially in QIII. Trade gap may hit 11-12 billions VND in 2009 in the context of decreasing other source as export, foreign remittances and FDI decrease.

Overall, the stable economy has created sustainable conditions for the stock market in QIII to go up. The greatest obstacle in QIV is trade gap leading to the imbalance of payment. Additionally, the slow improvement of export and bad debts are also a problem to the economic recovery. However, these problems can be controlled and Vietnam economy might continue to encourage the stock market in the remaining months. As for enterprises, business results in QIV may not advance remarkably as compared with QIII, and hence, the stock market will encounter difficulties as there will be less sudden changes and credit growth might be tightened. Nevertheless, the world recovery tendency will be great support for the stock market to advance.

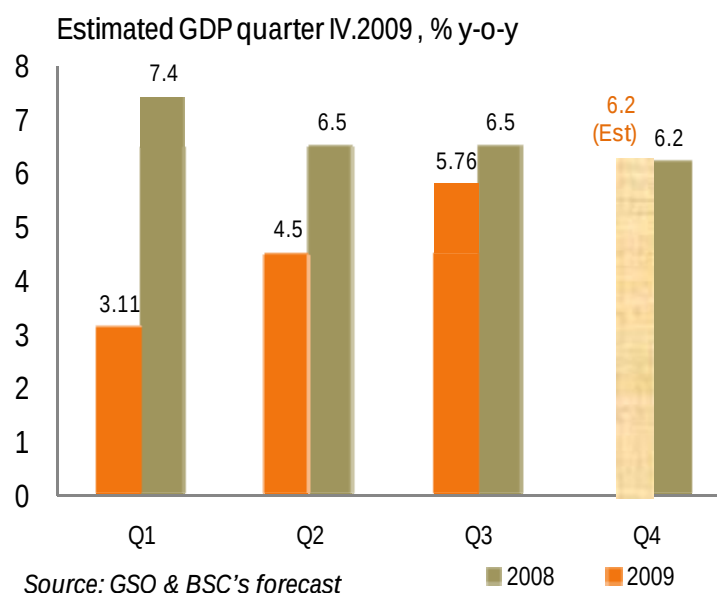
Over estimated growth

The economic growth in 2009 has surprisingly exceeded forecasts since Vietnam is not influenced much from the financial crisis. Moreover, no bad financial assets have helped Vietnam to quickly gain the growth in industry and infrastructure

contraction. Furthermore, the government stimulus measures also pave the wave for firms to grow.

GDP growth in 2009 may hit 5.2-5.5 percent. The clearest signal of recovery is that GDP growth increasing quarterly. Services and industrial construction contribute much on the improvement. Meanwhile, export, which is the key driver of growth, does not advance as expectedly due to the decreasing in the main export products of Vietnam.

Therefore, it can be concluded that stimulus package has helped maintain the growth of Vietnam economy in the first 9 months, in which industrial construction is the leader. Thus, real estate and construction firms have gained huge profit after QIII/2009.

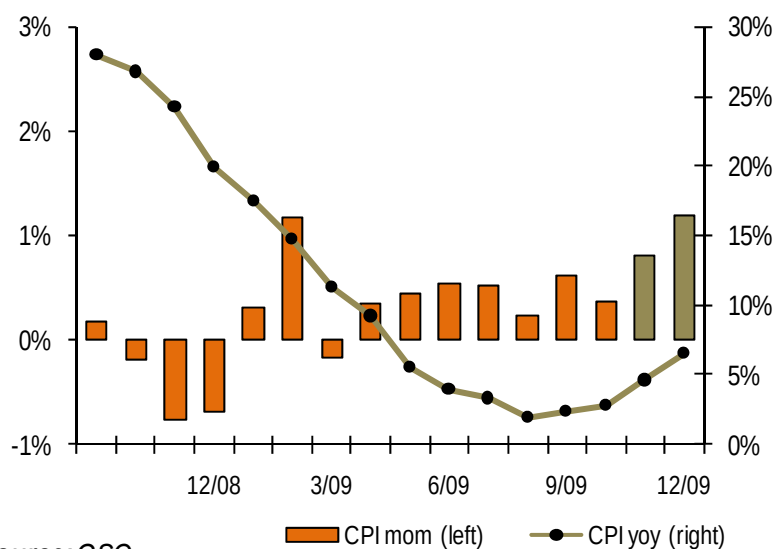


Inflation and Pressure

Inflation is one major factor for the government to control the stability of the economy or to make important decisions about monetary policy or stimulus package. In general, inflation in 2009 is still under control and not a big problem as in 2008. However, it can become a threat at any time if the stimulus package does not work out. Moreover, inflation always has a certain level of lag from 6-9 months in comparison with money supply policy. Thus, in order to calculate future inflation, it is important to judge monetary policy at the moment.

The inflation scenario in 9 months continues to give a positive signal to the stock market. There are no sudden changes in month-on-month inflation. In October alone, the adjustment in energy prices has impacted on the increasing of essential goods and input materials prices. In addition, CPI in October started to decrease, and thus, inflation for the whole year is predicted to hit 6%-7% and not an obstacle to the economic growth in 2009.

CPI forecast for 2009



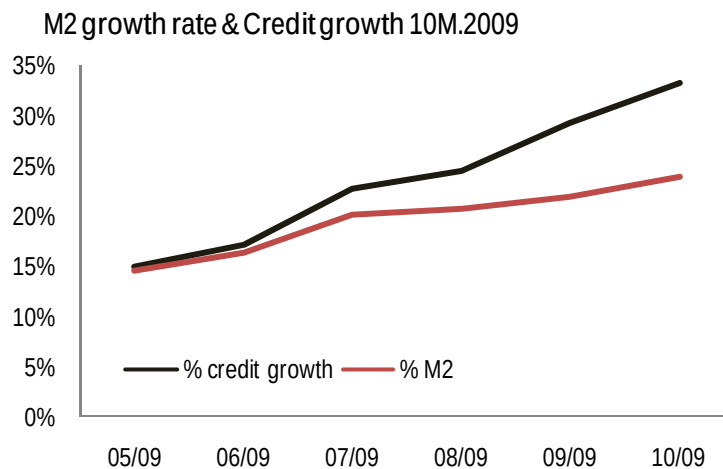
Source: GSO

Nevertheless, inflation starts to show signs of increasing again, especially in the first half of 2010 due to the following main reasons:

- Monetary policy begins to impact on CPI:* With the stimulus package and loosening monetary policy, credit and money supply (M2) remain high and put much pressure on the increasing of inflation and basic rate. According to the State bank of Vietnam, outstanding loans of commercial banks in 9 months 2009 climbed sharply at 405,000 billions VND. Credit growth hit the ceiling of 30 percent. Hence, the possibility of widening credit growth might be difficult to achieve, especially in the context of high inflation trend. Besides, the monetary supply, pushing cost also cause inflation to go up when the recovery or movements of oil and gas prices in the world change unexpectedly...

However, it is likely that inflation is making a comeback, particularly in the first half of 2010. Some of the reasons for this concern are the followings:

- Monetary policies start to impact price index:* Just like early in 2008, concerns about inflation are rational as these impacts are recognized only 6-9 months after such demand stimulating methods are carried out. As monetary policies are now loosened, the amount of money circulating in the economy is on an increase. According to the SBV, after 10 months, credit growth has increased by 33% and total means of payment (M2 money supply) 24%. The economy's effectiveness of absorbing this money is also alarming as Vietnam's competitiveness and investment efficiency indexes (ICOR) recently have exceeded 8, the highest rate so far (that of 2008 was 6.7).



Source: The State bank of Vietnam

- *Vietnam Dong keeps devaluing against USD:* Meanwhile, USD is devaluing against other currencies (Dollar Index fell by 10% in the last 2 months). This is the reason why Vietnam import products are becoming relatively expensive while the year-end months are months of imports' robust growth in Vietnam.
- *Raw material price rises again as world economy rallies:* Currently, oil price has topped USD80 a barrel. Such signs of recovery as GDP growth, employment rate, BDI index, etc. are reverberating around the world. Raw material price is likely to rise again in the first half of 2010 as world demands are on an increase.

Weak export and the balance of payment problem

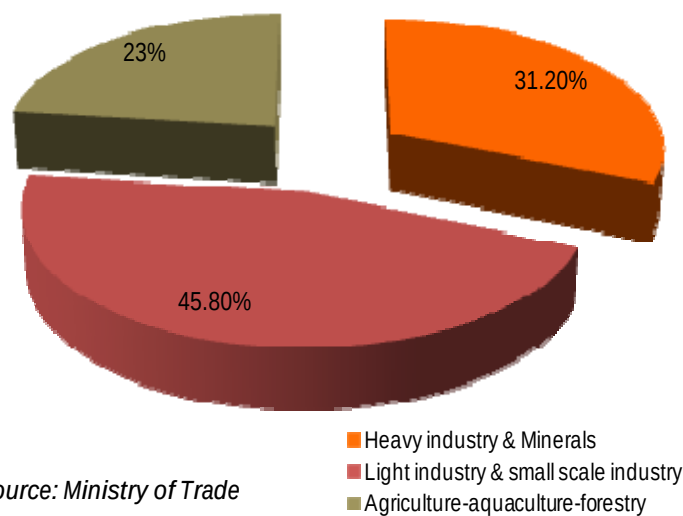
Pall of gloom surrounds Vietnam exports in 2009. A decline in Vietnam's exports comes from a decline in foreign demands in the context of world economic turmoil. In the first 10 months, Vietnam exports turnover reached USD46.3 billion, a 13.8% decrease yoy, in which domestic sector's exports fell by only 8.7% while foreign invested sector's exports (including crude oil) fell by 18%. Of all export products, crude oil saw the worst slump with export turnover fell by 43% yoy. Those with the second worst slump are rubber (fell by 41.2%), ceramics (26%), cable (24.8%), petroleum (20.8%), coffee (17.3%)...

With the export turnover of USD46.3 billion and import turnover of USD55.1 billion, the overall balance of trade deficit in 10 months has reached USD8.8 billion, accounting for 19% export turnover. Trade deficit in 2009 is predicted to reach USD12-13 billion. Trade deficit is increasing while major foreign exchange inflows are decreasing, which are creating pressures on trade balance and exchange rate.

Despite a decline in trade turnover, export market expansion is a highlighted spot in the gloomy export picture in the first 9 months. Therefore, along with world economic recovery, *exports-imports in the fourth quarter may increase*. Two most positive facts in exports are:

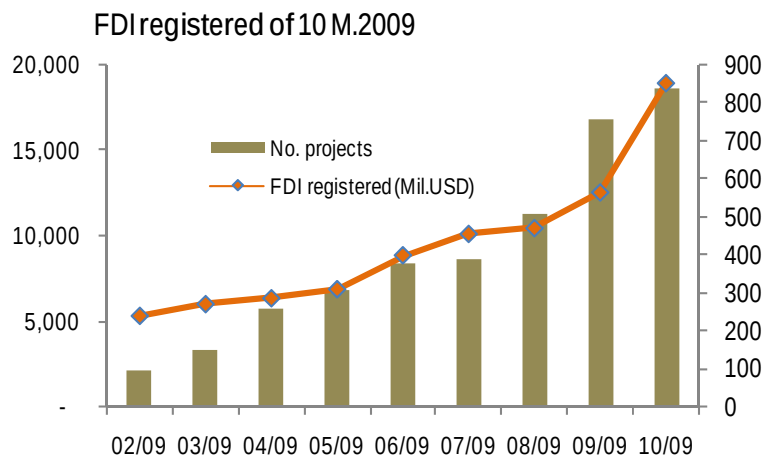
- First: Exports structure shifting to uphold competitiveness advantage. In the first 3 months, exports of gold and precious metals accounted for 25-30% export turnover, but from April to September, textiles, aqua products and crude oil exports saw the strongest growth of 20-25% through months. Under the favorable domestic production in the year-end months, these three major export products will play very important roles, in which aqua products' exports may reach \$1.35 billion, textiles \$2.5 billion in the fourth quarter. Together with crude oil, textiles and aqua products' exports growth rate may be over 3% (although the overall export growth may not reach 3%).

Export ratio by commodity quarter IV.2009 , %



- Second: The growth of expected exports-imports areas in FDI sector. While domestic balance keeps deficit, FDI is surplus, even has reached \$4.1 billion up to 30/9.

Apart from exports, other foreign exchange inflows do not seem very promising. The first three quarters' FDI completed only 62% year target and the first 9 months' disbursement reached \$7.2 billion, a 11% decline yoy, fulfilled only 75% plan and seemed to slow down in the last months of the year. FDI disbursement is likely to fall while deficit rises which is exerting pressures on overall trade balance. Overseas remittances seemed to drop; although there are no official figures yet, it is estimated that this source of foreign currencies would not offer more than \$6 billion this year. **ODA disbursement reached \$1.7 billion, almost 90% year plan.** Another inflow, FII, strongly declined after the fourth quarter of 2008, then slowed down in the next quarter, and then started to grow again in the second quarter of 2009. However, this foreign exchange inflow is not contributing greatly to trade balance this year as a great amount of this was withdrawn from Vietnam early this year.



Source: Ministry of Planning and Investment

Analysis of foreign currency inflows and outflows shows that a decline in overall trade balance this year is worth noticing. Up till 6/2009, foreign exchange reserves fell to \$17.6 billion, a \$3 billion decrease compared to \$20 billion USD in 12/2008. Depending on overseas remittances and FII data, we hold that Vietnam's exchange reserves would undergo a further decline (about \$1-2 billion) by the end of 2009. However, part of this decline is relieved by an aid of \$500 million from ADB.

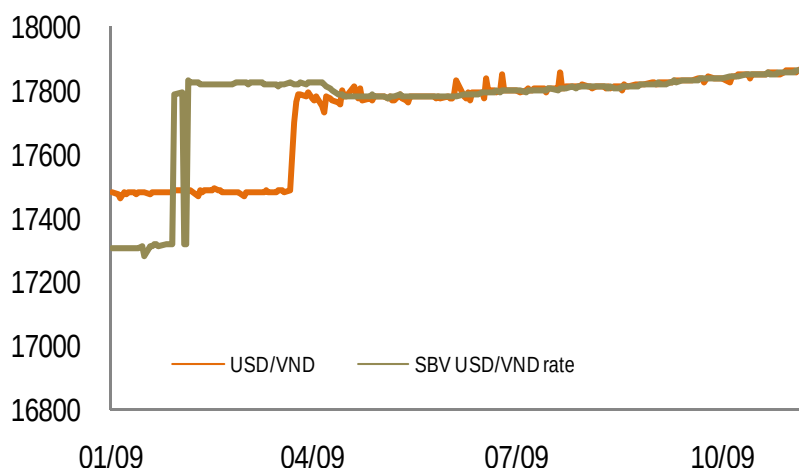
USD/VND exchange rate expected to rise despite USD devaluation

The shortfall in USD supply from important sources such as exports, FDI, overseas remittances, etc. in the context of increasing import demand in year-end months comes out as basic reason for the current tenseness of USD/VND exchange rate. Strength of VND is cared since it has great impacts on investors' moves. The evolution of exchange rate in brief is as follows:

- Recently, exchange rate has unfolded unpredictably, especially in September and October; the average inter-bank exchange rate enjoyed the sharpest upswing, over VND17.000/USD, a 9% increase compared to the end of 2008. Commercial banks' transaction rate approached acceptable ceiling.
- At the same time, import enterprises made the most use of a relatively low preferential rate of 4-6% which is tantamount to USD loans, in order to buy foreign currency (USD) for payment to avoid exchange rate risks. This partly put pressures on exchange rate and sparked tense liquidity on exchange market.
- The recent increase in the exchange rate has contributed greatly to exports. Yet, in case the exchange rate keeps climbing along with inflation, confidence in the strength of VND will be underscored which triggers moves to hold USD. Hence the dollarization of the economy becomes graver and graver.

Besides, the recent net sale on the stock market could be blamed on concerns about an increase in exchange rate.

HighUSD/VND on FXmarket of10.M.09



Source: Bloomberg

- **The real exchange rate is predicted to keep rising.** The most pressure comes from the increasing deficit in year-end months. Additionally, the increase of the M2 gross means of payment in VND also contributes to the devaluation of VND against USD although USD is depreciated in 15% against other currencies. We anticipate an exchange rate of USD/VND of **19.000-19.200** by the end of 2009.

Bank interest rate under the pressure to increase

Banks play an important and notice-worthy role in money circulation. The stimulus package is carried out through interest rate support loan channel of banking system. Actually, the first governmental stimulus package aimed at increasing credit growth with a more preferential cost price then would temporarily drive back difficulties posed to enterprises and maintain production and the economy's demand.

At the first stage of the first stimulus package, the banking system pumped a 35% increase in credit into the economy. The excess of loan in banks approaches allowed ceiling level which was previously expected. Current difficulties in banks' credit activity don't lie in the limit of ceiling (in fact, banks are allowed to keep lending exceeding the limit as long as they can control the loans' quality), but in the mobilization capital. It is hard for banks to raise mobilization interest rate while the current basic rate is maintained at 7%. Accordingly, capital flow in the economy will automatically slow down when banks continues to face difficulty in mobilization source. This pressure will still stay strong in the fourth quarter. Under the pressure for interest, banks' need for raising basic interest rate will still remain strong. In addition, in case of a year-end comeback of inflation,

we forecast a 1-1.5% increase adjusted in the basic interest rate in the final month of the fourth quarter.

Keep on with the second stimulus package – Stimulus packages review

Based on fruitful result of the first stimulus package and positive analysis on the economic prospect in the fourth quarter, we acknowledge positive reactions in confidence of investors as well as enterprises.

However, as for the second stimulus package, optimism should be taken into a proper consideration concerning medium and long term factors. This concern proves to be reasonable with regard to a high investment effectiveness index (ICOR) in Vietnam. Vietnam investment efficiency has undergone a 20% decrease from the increase of ICOR for the past year. In the first stimulus package, almost VND80 thousands of billion was pumped into public projects which was roughly equivalent to last year's total investment, but did not come to full fruition. We enjoyed a 5% increase in growth rate, but major driving forces such as exports and foreign investment fell sharply. Therefore, does this year's GDP growth truly prove that Vietnam's internal force is strong enough to lay foundation for medium and long termed development in a foreseeable future? Did we spend a vast sum of money just to save an imminent situation? As long as we cannot assess the long term effectiveness of the first stimulus package, we should not be optimistic about the implementation of the second package.

The impact of the second stimulus package on the stock market should also be acknowledged in a long termed and more basic way. The discrepancy of the two packages lies in the fact that while the first is to proactively stimulate enterprises, the second is to maintain and aim at more specific targets. **It is aimed at the stability and balance instead of a sudden change to supported industries.**

Thus, we believe that Vietnam macroeconomic administration policies should be oriented by prudence and flexibility.

World economy on the way to recovery

The global economic meltdown may last longer due to slow recovery in consumption demand in big markets (especially the U.S), decrease in credit, shortage of capital, unchanged global FDI.

Although the U.S economy has recovered from the floor of 2007 crisis, the speed of recovery is quite slow: GDP in the second quarter of 2009 only dropped by 0.7% year on year, lower than the announced 1% in August. This is the fourth consecutive quarter GDP of the global strongest economy declines year on year (sharply falls 5.7% in the first quarter of 2009; 5.4% in the fourth quarter of 2008 and 0.5% in the third quarter of 2008); consumer price index in 9/2009 rises 0.1% month on month and 1.3% year on year; the industrial gross product rises 0.8% in August; unemployment is on the increase whereas turnover of house sale falls in August.

Inflation remains at an acceptable level. FED keeps the basic interest rate at 0-0.25% and keeps pumping money into the economy; meanwhile, the value of U.S dollar falls to the lowest in the year.

Asian countries and emerging nations typically China and Brazil enjoys a stronger renaissance than expected.

Global economy depends much on the U.S, thus it will swing above the floor in year-end months and rally in the first half of 2010.

II. STOCK MARKET REPORT

I. MARKET DEVELOPMENT UPTO 30 OCTOBER 2009



1. February 23- February 27: Compulsory reserve ratio lowered to 3% and 1% for each deposit term, basic rate remains at 7%. Japan continues to provide ODA to Vietnam.
2. March 16 – March 20: FED pumps \$1200 billion into the US economy. Domestic GDP slows to 3.1%.
3. April 17 – April 22: Foreign investors push up selling from April 6 – April 10; foreign exchange bid and asks always close to the ceiling level. US stocks fluctuate due to business results and uncertainty in banking system.
4. April 27 – April 29: Stimulus measures began to take effect, credit growth advance at HCMC; FED saw positive improvement in US economy
5. June 8 – June 12: US stocks drifted sideways; outstanding loans for stocks reached 7,200 billion VND, up 4 percent as compared with the beginning of the year.
6. June 15 – June 19: Personal Income Tax and Capital Assignment Profits Tax exempted until the end of 2009. The National Assembly maintains the GDP growth rate of 5%.
7. July 13 – July 17: US stocks surged, S&P broke the "shoulder-head-shoulder" mode. Credit growth after 6 months hit 17% .
8. July 20 – July 24: The SBV denies rumors of issuing treasury bills, credit growth in 2009 set at 25 – 27% instead of 30%.DJ passed the landmark of 10,000pts
9. August 31 – September 4: US unemployment rate increased at 9.7%; credit growth in August grew 1.75%
10. September 7 – September 11: BMI predicts Vietnam's GDP growth rate at 4.5%. Japan promises to grant an assistance of \$1.5 billion to Vietnam in the fiscal year of 2009.
11. September 21 – September 25: CPI in September rose by 0.62%. Trade gap in 9 months went up to 6.57 billion USD. US stock market tumbled to the lowest level since July 2009
12. October 5 –October 9: Interbank exchange rate retreated to the highest level of 16,999 VND. SBV extended the medium and long term loans support until 2010. US indices jumped
13. October 23 – October 25: Rumors about State Securities Commission announced bad information about the stock market but it denied the rumor on October 26 .

i. Vietnam stock market developments

In the common trend of world stock market, Vietnam's market in the last 4 months has shown signs of recovery. It seems that the market has region from its bottom, raising investors' belief in joining the market.

The last 4 months can be provided into 3 major periods: the first is keeping pace with the adapting momentum since late June and the last is robustly growing from late July to the end of October.

The adjustment period in late June: After the heated period in March, the market entered its adaptation period from mid-June until late July. During this time, together with the world market's adaptation stage, there were rumors on the domestic market saying about the probability of credit tightening due to concerns about inflation as well as the probability of limiting budget for stock market assistance as the market has grown by 120% from the bottom.

The developing and stabilizing period: World stock market entered strongly growing period, world economy reported positive figures of GDP growth, industrial manufacturing indexes, etc. demonstrating that many economies have overcome the hardest times. Vietnam market received enterprises' second quarter business results with many big enterprises reporting satisfactory profit growth such as VNM, ACB, HPG, etc. Financial investment enterprises are on standby to rejoin the market as it rallies. Real estate ones are predicted to have exceptional business results due to their potentials of extensive ground base areas, multiple projects in progress. The growing market was also supported by money flows from financial organizations to investors.

It can be seen that the market has strongly grown over the last periods thanks to favorable economic conditions, the monetary policies that support stock market and financially-assisted investors as well. Provided with these conditions, the market has shaped such specific features as robust growth, high liquidity and money flows oriented by industries' business results.

The adjustment period in late October: Although receiving positive news such as continuing the second stimulus package, basic rate maintains at 7%, concerns about tightening monetary policy in the remaining months caused investors to heavily lock profit and move to another investment channel. Thus, the stock market fell steeply during that period.

Favorable economic scenario, supportive monetary policy, better than expected business results, good performance of new listed stocks, huge source of cash flow have contributed to the rising of VNIndex during the first 9 months.

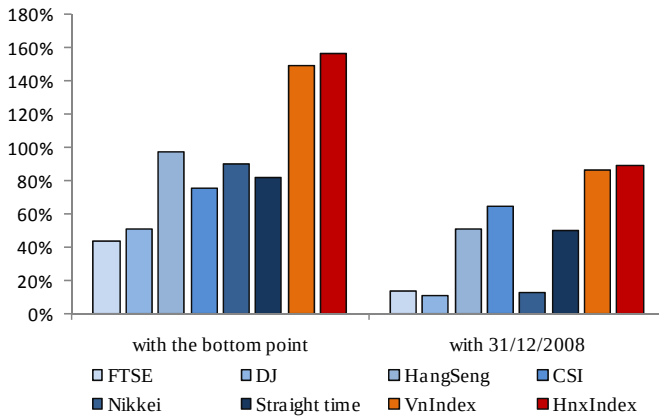
Vietnam market, impressive growth

Until September 30th 2009, VNIndex is among the 10 fastest growing indexes in the world, only after several such markets' indexes as Peru, Russia, etc. In comparison with US or Britain markets' indexes, or China's CSI, VN Index also performed impressive growth. From the bottom rate, VNIndex has thriven by 149%, HNX Index 157%; meanwhile, other markets' indexes have risen by below 100% only; Britain's FTSE and America's DJ has grown by about 50%.

VN Index's growth is also striking compared with that on December 31st 2008 with a

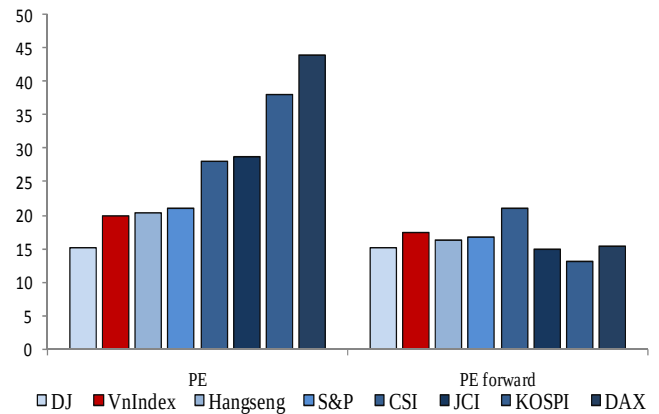
86% increase while that of developed markets is under 20% and of developing ones is about 50%.

Percent change in world indexes in comparison with December 31st 2009 and the bottom point of the year



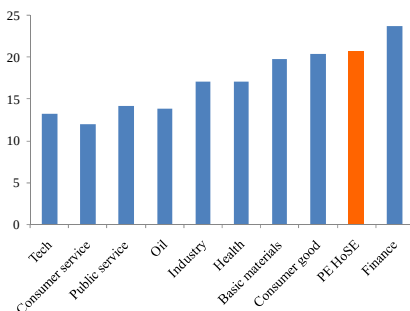
Source: BSC, Bloomberg

P/E rate on some markets on October 30th 2009



Source: BSC, Bloomberg

Industries' P/E Index on HoSE

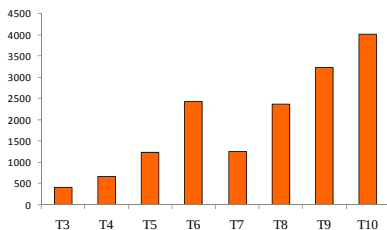


Despite high growth rate, Vietnam market's P/E rate remains at medium level in comparison with other developing markets'. Hose's P/E rate until October 30 was 20.24 while Jakarta Composite Index's was 28, CSI's was 28, and Kosp's was 28.

So although VNIndex was among the top growing indexes, what made its P/E rate at medium level was the market meltdown in 2008 before the world market. However, it cannot be denied that rapidly-recovering enterprises' business results have contributed to make Vietnam's P/E trailing rate among the most attractive ones. Besides, VNIndex's 2009 P/E forward rate is relatively high compared with other markets.

Together with a sharp increase in price, in the third quarter, Vietnam stock market also witnessed a push in trading volume and trading value as well which showed investors' concerns about stock market.

Average trading values by months on HoSE



Market's liquidity at a record high in October

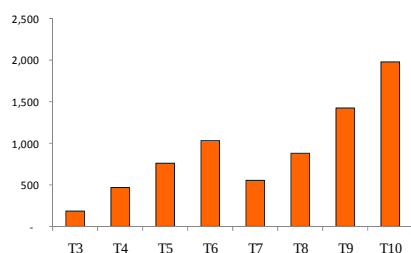
Over the last 6 months, the market's liquidity has been greatly improved and gained a thrifty growth. In September, the average trading session on HOSE valued 4000 billion and on HNX 1900 billion, the highest trading value so far.

This record high trading value was sustained for quite a long time due to the market's attraction to investors. Its continual ups and downs have won over investors and they have come and stayed for the expectation of the market's profitability. So the market's allurements were the most significant factor in attracting money flows, but its suddenly increasing trading values also came from the market's supply and demand.

Average trading values by months on HNX

High quality new supply, satisfactory business results

In the third quarter, many big enterprises' shares were listed such as VCB, CTG, BVH, DIG, CSM, EIB, etc. These enterprises play important roles in their industries and some



Source: HoSE, HNX, BSC

	Stock	Initial price	Price on 30-Oct	% change
1	CSM	50	114	128%
2	DIG	66	123	86%
3	VNI	30	38.9	30%
4	VPH	36	90	150%
5	RDP	18	28.2	57%
6	ATA	24	38.7	61%
7	HLG	36	37.2	3%
8	D2D	48	68	42%
9	AAM	45.6	63.5	39%
10	MCG	30	50	67%
11	PHR	43	43.5	1%
12	DHC	17.4	24.4	40%
13	PHT	30	41.4	38%
14	VNL	31.2	28.4	-9%
15	CTG	40	34.8	-13%
16	VCB	60	52	-13%
17	TMP	24	22.8	-5%
18	BVH	46	36.5	-21%

even have got impressive business results. New shares listed at reasonable price and at the right time have increased the entire market's liquidity. A great part of capital source used to be transacted on OTC now has been transferred to listed markets.

Newly-listed shares' success was due to OTC shares' lower base price than current shares' because the OTC market had been quiet for a long time. It was the reasonable price on the first day that made new shares more attractive than in the previous time.

Securities companies' financial tools support money flow

The market's trading value's sudden increase was due to long-termed investment by financial funds and organizations and new investors after crisis. But one of the factors contributing to the geometric-progression-growth of the market's liquidity was the capital-assisting tools that stock companies took to support investors.

One prominent feature of the third quarter's capital flow was the successive growth of all industries. No mass ceiling-hitting stocks were seen but there was concentration and division in capital sources in every period. The first reason for this is the expectations for every industry's business results. Another reason is that the money flow in the market was not led by organizational investors in the long run. The predominating money flow which defined the market trend seemed to be the short-termed one as it was expected to make high profit in a short time, thus it was flexible and flowed continually in order to find new investment chances.

Such blue chip stocks listed long ago as DPM, PVD or HPG did not grow as strongly as VNIndex. The market's driving force came from newly-listed stocks and stocks with the average size.

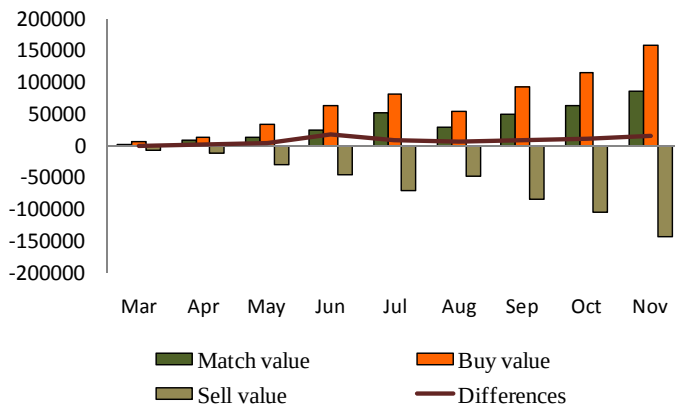
Business results, money flow orientation

In the second quarter, the market was led by banking and finance enterprises and building-material industry due to their exceptional business results. In the third quarter, money flow was re-oriented and poured into real estate enterprises and industrial and consuming goods manufacturing ones. Because these industries' growth rate was not very promising, and the economy has started to stabilize, it was sensible to invest in manufacturing industries as they could benefit from the economic recovery. Real estate stocks' trading value increased from 14% in June to 17% in August and 22% in September. On the contrary, banking and finance stocks' trading value fell from 44% in June to 21% in October.

Since early in July, real estate industry has gained the most impressive growth of 70%, industrial and building-material sectors' growth rates were also over 40%. These impressive figures were due to investors' expectations for enterprises' business results.

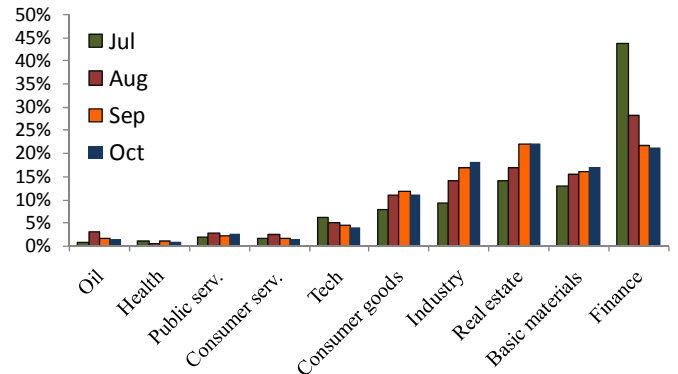
The satisfactory business results of industrial and fundamental material sectors in the past 4 months were largely due to their low input cost, low capital charges thanks to the Government's interest rate assisting policies.

Purchase and sale orders by months



Source: HoSE, BSC

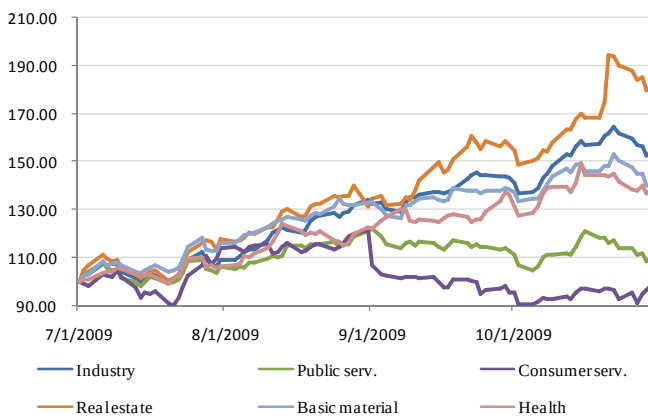
Industries' trading value compared with market's



Source: HoSE, BSC

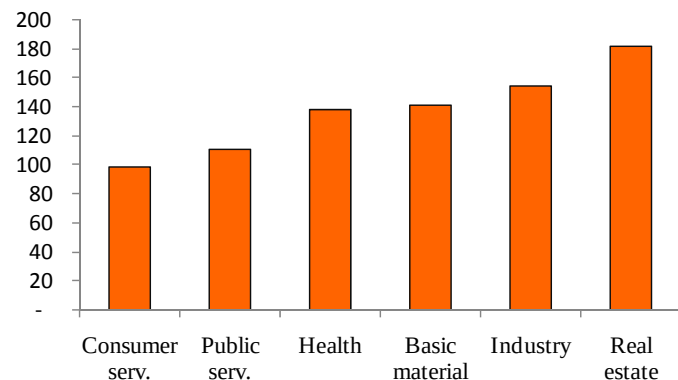
Public service, oil and healthcare sectors saw no great fluctuations due to their steady business results through periods. Moreover, these industries had not fallen deeply in the previous stages.

Industries' indexes in the third quarter



Source: HoSE, BSC

Increase rate of industries in the third quarter

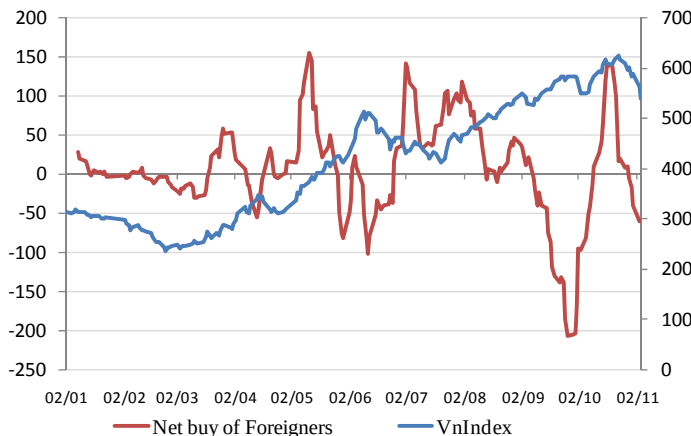


i. Foreign investors take advantage of market trend

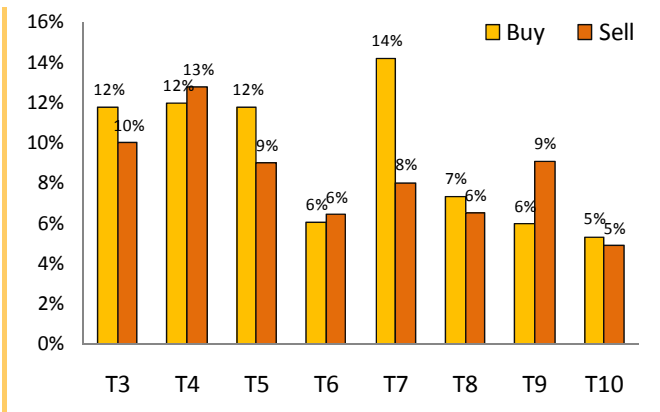
Unlike in February and March when foreign investors' continuous purchase started to push the market to grow, since the third quarter, they have become more flexible in buying and selling. It has been more obvious that foreign investors are trying to make use of the market's wave developments. This is like a combination between long-term investment funds' surfing capital and short-term speculating money flow.

Since June 2009, foreign investors tended to lessen trading as their investment flow seemed not to increase.

VNIndex fluctuations and foreign investor' net buy transactions



Foreign investors' transactions



Foreign investors' net purchase value sharply increased in September. ICV's sale value totaled VND1216 billion, equivalent to USD66 million, accounting for 20.7% of foreign investors' sale value and 60.8% of their net sale value. The rest listed portfolio of ICV valued about USD35 million (equivalent to VND643 billion), thus pressures on selling ICV shares would not be as intense in the coming time as in September.

Therefore, eliminated from ICV's withdrawn capital in sale value, it can be seen that foreign investors' sale value was kept stable month on month with the total value of VND3000 billion.

The most attractive sectors to foreign investors are real estate, fundamental material and technology which account for a great proportion of their net purchase stocks: real estate 59% and fundamental material 18%. Finance sector accounts for the most part in their net sale portfolio with xx%.

With the growth rate of 31% in the third quarter, VNIndex was supported by positive information from world and domestic economy and from enterprises' business results. Besides, the booming trading value together with serial up sessions in September also revealed the market's various supporting elements such as stock companies and banks' financial support to investors and newly-listed shares' attraction.

As stated above, in the context of world economy in general and Vietnam economy in particular, Vietnam stock market is on the way to recovery, monetary policies have supported the stock market's development, and the most determining factor that makes stock market the most attractive investment channel is enterprises' exceptional business results.

II. INFLUENTIAL FACTORS TO THE MARKER IN THE THIRD QUARTER

i. Signs of recovery in world and Vietnam economy. Tightened monetary policy encouraging money flow back to the stock market.

World economy is moving to positive growth, world governments' attempts in jumpstarting the economy have come to fruition. Many economies have seen positive GDP growth again after successive quarters of decline. Germany's GDP growth has increased by 0.3%, France 0.3% while Japan 0.9%, America's GDP has grown again by 3.5% in the third quarter. Impressive GDP growth rates, increasing number in employment rate and accommodation sales have strengthened investors' belief. Promising information and satisfactory business results of many big enterprises have caused positive responses in world stock market.

In the third quarter, Vietnam economy continues to benefit from the Government's policy of preventing economic recession, a timely policy to support enterprises and the economy to recover from the hardest time from the fourth quarter of 2008. By the third quarter 2009, GDP growth rate has risen again by 5.8% (while first quarter 2009's GDP rose by 3.1% yoy, second quarter 2009 4.5% yoy). After 9 months, GDP growth has enjoyed a year-on-year increase of 4.6%.

The monetary policy in the third quarter keeps supporting to pump money into the market with the base interest rate maintained at 7% and credit growth limited at around 30%. Together with interest rate assistance policies, tax assistance policies have also helped enterprises overcome difficulties.

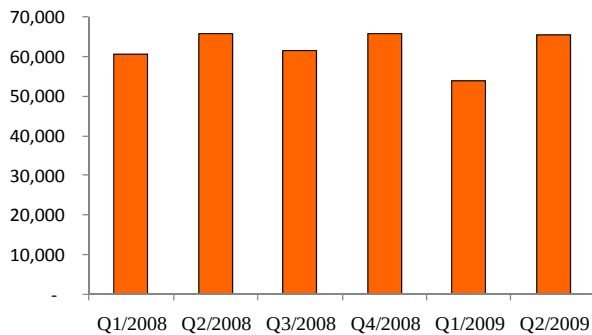
i. Favorable business results, highlighted attraction to investors

The strong growth of the market in the second and the third quarters also came from positive information about enterprises' business results.

Our templates of over 300 enterprises listed from early 2008 shows that these enterprises have come to recovery since the first quarter 2009 and have made profit since the second quarter. It can be seen that total profit of listed enterprises fell sharply in the fourth quarter of 2008, a 94% quarter-over-quarter decline, but it started to rally in the first quarter 2009 (a 14 fold increase compared with the fourth quarter 2008), and there has been a 63% quarter-on-quarter increase of total profit in the second quarter of 2009 (which is a 30% year-on-year increase).

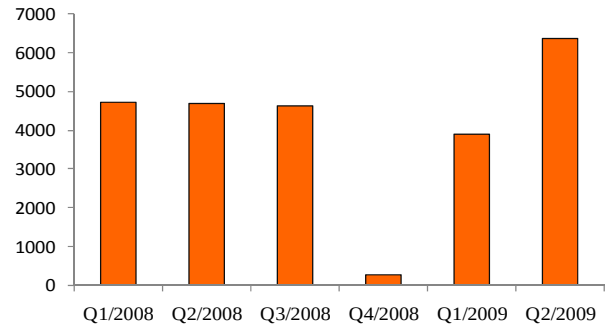
Despite the increasing profits, enterprises' revenue in the third quarter remains equivalent to that of the fourth quarter 2008. Inflation in year-end months of 2008 drastically affected enterprises' revenue. High input cost has severely reduced the revenue; and as the input cost decreased in the first and the second quarter of 2009, enterprises managed to gain after-tax revenue.

Revenue of listed manufacturing enterprises



Source: BSC, HoSE, HNX

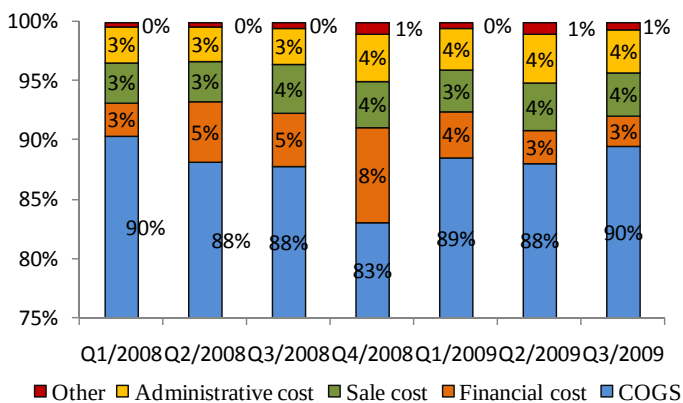
After-tax revenue of listed enterprises



Source: BSC, HoSE, HNX

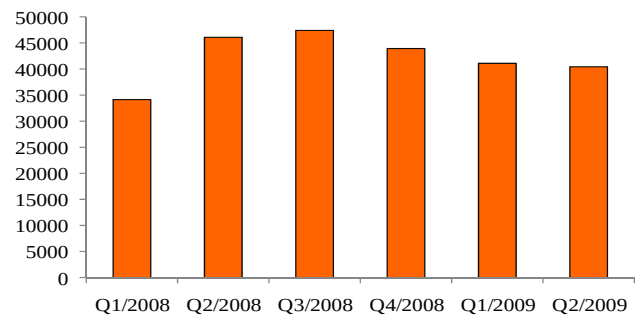
Let us take a closer look at enterprises regaining after-tax revenue in the second quarter of 2009. It is obvious that together with inflation control and input cost reduction, interest rate assistance policies as well as the stock market's rally has contributed greatly to reducing cost of manufacturing enterprises and financial investment ones. Their financial cost in the third quarter of 2009 fell 26% as compared with Q1 and 77% in comparison with that of the fourth quarter of 2008.

Cost Structure of listed companies



Source: BSC, HoSE, HNX

Profit structure of listed companies



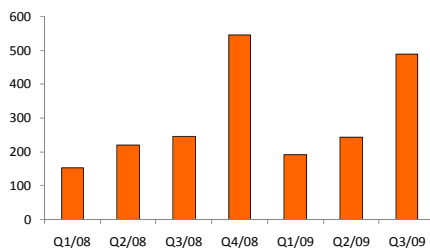
Source: BSC, HoSE, HNX

The whole market's and every industry's developments in the last 2 quarters have demonstrated the foundation of each sector's business profits.

The reasons for enterprises' profits in the second and third quarters are as followings:

- First, enterprises of real estate, building industry, fundamental material as plastic, cement, steel, rubber, etc. managed to maintain low price products due to the reduced input cost; moreover, they also benefited from the government's stimulus programs promoting revenue growth.
- Second, financial investment enterprises kept gaining high financial revenue

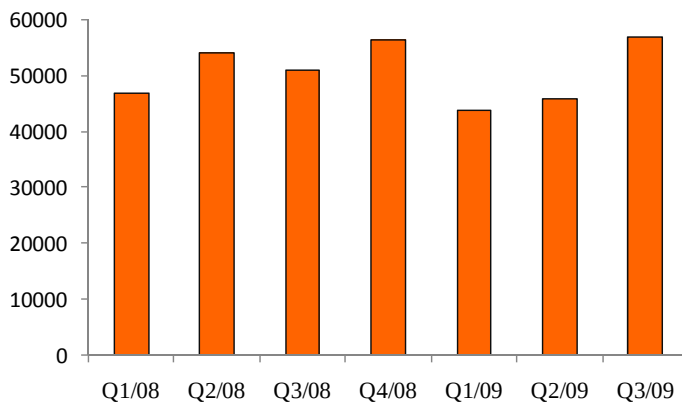
Other profit movement of listed companies



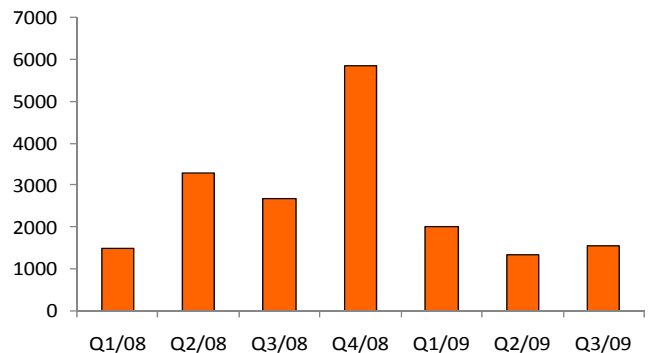
and/or reducing financial cost due to spare budget for rejoining the market and the government's interest rate assistance programs, especially enterprises utilizing financial leverage in real estate and construction sectors. Besides, enterprises started to sell fund shares contributing to raise EPS or at least not to dilute shares; this has won over investors' concerns.

- Third, together with removing imports barriers, exports markets for such products as aqua products, textiles are expanding which has promoted enterprises' exports revenue.
- Fourth, the most important factor pushing the market to continuously grow in August and September was the expectation that real estate and construction companies would start their cost accounting in the last 6 months of 2009 on important projects which were to be finished in late 2009 and early 2010.

Cost of good sold



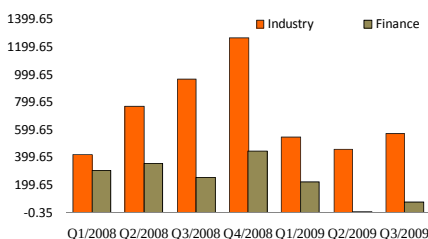
Financial cost



Source: BSC, HoSE, HNX

Source: BSC, HoSE, HNX

Financial cost of Industry and Real estate sectors



Real estate sector

Real estate enterprises listed in 2008 also gained a big profit in the second quarter compared to that in the first quarter of 2009.

The main factor that raised real estate stocks lay in the fact that these enterprises held a big reserve of land in favorable areas in accordance with big cities' expansion tendency such as HCM City and Hanoi or in industrialized provinces such as Vung Tau, Dong Nai, etc. Meanwhile, ground land was heading for a price hike and land transaction was intensified, investors tended to have high expectations that enterprises would come by a big profit in a short term and the value of enterprises' assets would increase in a foreseeable future causing stock price to climb. Typical enterprises with big land reserves that drew special attention of investors could be listed as DIG with a 19 million meter square of clean land reserve in Dong Nai, Vung Tau, Vinh Phuc; SJS with the projects of southern An Khanh, Tien Xuan; BCI with 876 acres on the outskirts of HCM city; HAG with a host of projects in complex apartment buildings at favorable locations in HCM city.

Fundamental materials

Fundamental material stocks maintained a sharp increase reflecting investors' expectations. The reason was that a series of businesses in the industries of plastic,

iron and steel, rubber had gained big profits which are far beyond experts' forecast.

Steel stocks continued enjoying a fine growth due to drastic steel consumption in the third quarter, in which construction steel sector procured the strongest growth year on year. In August (July in lunar calendar), the beginning of rainy season, steel consumption shot up to 401 thousand tons, 350 thousand tons higher than the previous months' average. Consumption of steel tube and steel plate in August was also above every month's average level since early of the year. This big consumption was due to the stimulus package provided for construction works, the reactivation of infrastructure and eventful construction activities of privately owned sector.

An upswing in profit was recognized in plastic enterprises in the second and the third quarter of 2009, partly because of the drift of price in raw material whereas selling price still stayed the same or even rose. Owing to a dip in petroleum price, a reduction in demand in Asian markets and supply from China, price of main raw material stocks such as PVC, PE-HD, PVC grain... was lowered by 19%, 12.9%, 10.9% respectively year on year. Accordingly, product price was cut down by 5-7%. On the other hand, plastic consumption was still on a rise due to positive impacts of the government's stimulus package in basic construction sector.

The turnover of almost all natural rubber manufacturing enterprises was estimated to rise about 90% thanks to a 30% and 67% increase in selling price compared with the second and the first quarter respectively and twice as much as that of the end of 2008 (from USD1,100/ton at the end of 2008 to USD2,170/ton at present) and to maintain a stable consumption volume which was regarded as driving force for profit growth.

III. INFLUENTIAL FACTORS TO THE MARKET IN Q4 AND THE FORECAST

1. The global economy is on the way to recovery. Enterprise assistance policies are well under way.

Due to concerns about inflation, monetary policy will be adjusted for the efficiency of the economy in order to hinder the comeback of inflation. Credit growth has reached 33% by the end of October 2009.

Economics condition are still good and make convenient to stock market. Inflation is still under control, but we expect there will be a restricted monetary policy in the coming quarter and it will have considerable impact on the market

Higher capital cost incurred by businesses: The rate assistance policy for the last 2 quarters has made it easier for enterprises to approach about 30% of source of capital and capital charges. However, this advantage will be shed in the next quarter.

Stricter management on the monetary influx into the market: Since all interest rate assistance loans are under-6-month-termed, they are due for banks' payments. Although this source of money will improve banks' liquidity, it also poses difficulty for enterprises to liquidate in the coming time. The success of businesses' development investment loans depends on the success of their output.

More attractive markets and investment channels: After falling to the bottom, the stock market has rallied and become the most attractive market for the time being.

However, in the coming time, bank-savings channel will enjoy more attention when it comes to an essential adjustment in the basic interest rate. Real estate will be also the next priority as the stock market has established a new price plane.

2. Business results get steady back.

According to ROE development from the fourth quarter of 2008 to the second quarter of 2009, first, the market enjoyed a sharp increase and renaissance until the first quarter 2009, and then slowed down until the second quarter. Enterprises' ROE in the second quarter of 2009 was 5.7% and ROE of QIII/2009 was 5.9%.

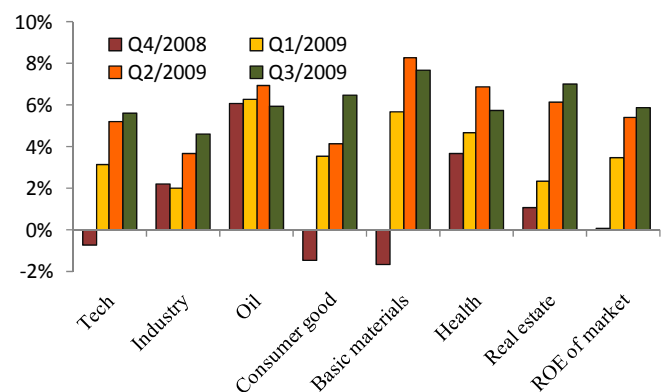
The dramatic rebound in the second and third quarter of such sectors as fundamental materials, industry, consumer products and real estate was the major allurements to investors. These were industries with high growth rate in the second quarter.

Industries' ROE from quarter I/2008

	Q1/08	Q2/08	Q3/08	Q4/08	Q1/09	Q2/09	Q3/09
Tech	5%	3%	5%	0%	4%	6%	7%
Industry	4%	4%	4%	2%	2%	4%	5%
Oil	7%	8%	7%	6%	6%	7%	6%
Public serv	6%	5%	5%	-10%	6%	7%	5%
Consumer serv	3%	2%	1%	2%	2%	3%	3%
Consumer good	4%	3%	4%	-1%	4%	4%	7%
Basic materials	9%	10%	6%	-2%	6%	8%	8%
Health	5%	4%	4%	4%	5%	7%	6%
Real estate	2%	2%	3%	1%	2%	6%	7%
ROE of market	5%	4%	4%	0%	4%	6%	6.0%

Source: BSC, HoSE, HNX

Some industries' ROE since QIV/2008



Source: BSC, HoSE, HNX

Such industries as steel, rubber, plastics are likely to maintain a big marginal profit in the third and the fourth quarter, but this will no longer last as the input cost will no longer be as low from the first quarter of 2010. The stabilization of trading results will stabilize the market at a new price plane.

In the fourth quarter, enterprises' profit will be affected by the following factors:

1. There would be no considerable improvements in the macro economy in the fourth quarter. Exports have made no progress except for aquaculture, textile and footwear.
2. As far as inter-branch balance is concerned, anticipated inflation and price hike in several basic products (such as a 30% rise in coal price) will lead to the rise in price of other input materials. Accordingly, the cost price of products of almost companies will rise, deducting their gross profit.
3. Several real estate enterprises may delay their accounting of sale revenue until 2010, making the reported profit fall short of investors' expectations.

Based on the economic context and the policy forecast, we have completed some research and made forecast on the development of industries.

Real estate: Profits are expected to rise steeply for the second half of 2009. One particular feature of real estate sector is that the revenue will be accounted at year-end. Therefore, in the first half of 2009, many big real estate companies on the trading floor only made accounts for small parts of turnover gained from transactions. The rest will be focally reckoned in the second half of the year. For instance, NTL only reckoned the turnover of 2 acres in the first 6 months of the year although it had sold 6 acres in Tram Troi; DIG had a prepaid turnover of nearly 800 billion in the second quarter; HAG sold out the An Tien project but have not done the accounting yet; HDC completely made over the Sao Mai Ben Dinh project but has not yet made any accounts, etc. This lays a firm foundation for investors' expectations for the steep increase in enterprises' revenue in the third and the fourth quarters as well as in the coming years.

Yet, when the interest rate assistance policy expires on December 31st 2009, it will be impossible for real estate enterprises to approach low cost capital. Projects' input cost will be on an increase due to high price of such materials as steel, cement, etc. Besides, real estate companies will have to face the difficulties in the output by virtue of the tax policy imposed on real estate coming into effect from September 26th 2009 as might as increasing supply in the context of homestretch of many projects; the current demand is not so great.

Fundamental material sector: Steel, rubber and plastic might maintain the growth in QIII and QIV/2009, but then slow down since QI/2010. Profit maintained in the fourth quarter, yet marginal profit likely to diminish in the next quarters.

4. **Steel:** Due to better disbursement in construction sector in the final months of 2009, consumption of steel, especially construction steel procures a good opportunity to flourish. However, the marginal profit of steel companies in the fourth quarter of 2009 and in 2010 would not reach the level of the first half of 2009 due to lack of low price input material, thus, there would be a threat of oversupply. According to BSC's statistics, investors relied on a suddenly changing profit in 2009. *Thus, steel is subject to a decreasing adaptation in the time to come.*
5. **Cement:** Cost price of cement companies in this quarter will rise due to increasing price of input materials (for example, a 30% rise in coal price in the fourth quarter results in a 3% increase in cement price; price in electric, gypsum, paper bag is expected to rise in 2010...). Therefore an expected lower EPS in the fourth quarter would attract fewer investors although the expected P/E is considerably low.
6. **Plastic:** Although plastic consumption is predicted to remain high, cost price of companies will increase again due to increasing material price in this quarter, making EPS to reach or even fall below the level of the third quarter. BMP and NTP's EPS in 2009 is expected to be VND15,170/share and VND13,460/share respectively causing a 8 fold decrease in the average EPS of the year. Therefore, plastic industry remains one of the focuses of investment in the fourth quarter.
7. **Rubber:** Supposed that price is valorized, as the fourth quarter is the high peak of rubber consumption in a year (normally contribute 40% of the entire year revenue), the minimization of production cost due to economic meltdown to

maintain profit level (for instance, DPR's cost price is cut 16.2%, from an average of 18.5 million tons to 15.5 million tons; TRC's is cut 18%, from an average of VND22 million/ton to VND18 million/ton) will increase companies' income in the fourth quarter and in the entire 2009. Besides, we forecast that companies will soon fulfill and exceed their 2009 business plan thanks to a nearly two fold increase in rubber price compared to the price set on working out the plan. Therefore, rubber companies' trading result is expected to be considerably good. However, provided with the current average rubber price of USD2,050/ton, the expected PE of this industry will be a 20 fold increase, almost equivalent to the entire market's till the end of the second quarter (about 22). Accordingly, it is likely that the expected 2009 trading result was reflected in the price, leading to slow increase in stock price in the fourth quarter.

Aquaculture: Aquaculture stocks enjoyed an upsurge in the third quarter due to an obvious improvement in exports compared with the first 6 months as consumption demand rallies in major export markets such as the U.S, Japan and the E.U. This also contributes to the increase in companies' turnover compared with early of the year. In addition, copious source of shrimp in crop in June also helps reduce the cost price. However, the constantly decreasing export price of catfish and shrimp also partially affects the export turnover. According to the Ministry of Agriculture and Rural Development, export revenue can reach USD1.75 billion in the final 4 months of the year, raising 2009 turnover to USD4.4 billion which is equivalent to that of 2008. Accordingly, enterprises will bear fruit in the trading result. 2009 EPS of such enterprises as Ben Tre Aquaculture Joint stock Company, Minh Phu Aquaculture Jointstock Company reach VND6,600/share and VND3,100/share respectively, leading to a 12-15 fold decline in expected P/E of the industry.

8. Financial sector: Stable in a long term.

The 2009 credit growth rate limit is 30% and credit growth has reached 33% by October 30th, posing difficulty for excess debt in credit growth in the fourth quarter. Besides, *without an adaptation in basic interest rate or in the credit growth limit applied to individual banks, the trading result of this sector in the fourth quarter will not enjoy a positive upswing.*

3. Other factors

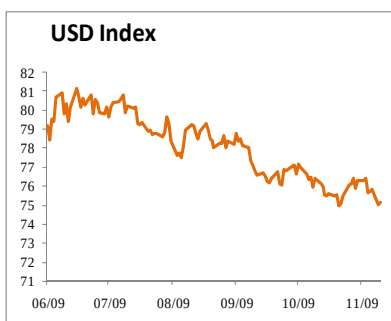
The return of foreign investors' capital in long term

In a medium and long term, assuming that the global economy has reached the floor and is on the way to recovery, Vietnam stock market with more diversified commodity and positive signs in liquidity will attract more foreign investors.

Attraction of stocks on Vietnam market is not only translated from a high profitability and rapid growth rate of businesses but also from the value of assets on revaluation. In the long run, Vietnam market still remains an attraction to foreign investors.

However, the constant devaluation of USD posed a threat to foreign investors when they shift to other non-USD markets due to the rebound of USD in a long term. The conversion from other currencies to USD when USD's value rises will reduce the investment efficiency of foreign investors, especially in countries where instruments in financial market are underdeveloped making it difficult to prevent risk in the devaluation of currency.

USD Index movement



Financial instruments, a leverage for market demand

Together with the growth of the stock market, financial instruments will continue to be perfected. These instruments have been playing an important role in the market over the past time. In the upswing of the market, financial assistance utility is helpful to investors. However, when the market tends to decline, the dark side looms and becomes unpredictable. Risk posed by financial leverage instruments due to a shortfall in legal corridor as well as lack in domestic risk management instruments for personal investors are potential threats to investors in particular and to stock companies and the stock market in general.

Change in divisional and index structure caused by huge supply of stocks

More commodities require a huge demand for capital for transactions in the market. The difference in this year's increasing stage lies in the fact that despite the heated market and intensified transactions, OTC stocks do not increase evenly but selectively, especially the about-to-be-listed stocks with good trading result.

Such stocks as Habeco and Sabeco will be listed in the time to come, creating more options for investors. However, they will have impact on the quantity of commodities on the market.

The IPO plans of big enterprises such as Mobile Phone, BIDV, Vietnam Airlines, etc. will attract foreign investors and organizational ones. There is also a possibility that a part of sum of money for the current listed investment plans will be transferred to these potential investment opportunities.

In the coming time the supply source is likely to increase due to additional stocks issued in the second and the third quarter. ACB issued 134 million stocks while STB 158 million and VNM 175 million. A huge supply requires a relevant increase in the capital source on the market to maintain current liquidity; otherwise the choice of stocks for investment will be of great importance in succeeding.

However, in the next quarter, when a new price plane is set on the market, impressive growth of newly listed stocks will pull the investors toward OTC stocks which are of good quality and at low price, $P/E < 10$. Money flow will gradually pour into these stocks which will create a new price plane toward these stocks outside the OTC and a higher listed price on HoSE. VnIndex is unlikely to benefit from newly listed stocks.

IV. MARKET FORECAST

We employ 2 methods to forecast the VnIndex in the coming quarter: EPS-prediction-based and PE acceptable level. Besides, we also reevaluate factors that impacted the market in the past quarters.

Factors impacting the market

Economics

Growth expectation and liquidity are 2 main factors that have impacts on the market in the last quarter. Moreover, inflation, depreciation of VND, trade gap also affect the recovery of the stock market. Based on the analysis of the two groups, we realize that

these positive factors will still remain in the coming quarter; however, their impact will not be as strong.

- GDP growth: above 5% is a positive level, matched the forecast this year
- Liquidity: regulations about tightening credit will continue to be of great impact till the end of the year. In the positive scenario, inflation will end up at 6-7% this year.
- Unstable VND/USD exchange rate: have great impact on the activities of foreign investors. Trade gap in 2009 is predicted to be at 11-12 billions USD.

Enterprises

In the last quarter, EPS growth of enterprises is predicted to slow down (up only 7.24% as compared with QIII). Nevertheless, if we consider estimated EPS in 2009 in comparison with accumulated EPS in QIII, EPS growth may reach 14.5%. Thus, estimated P/E in 2009 (17.5) will be lower than P/E at the moment (20.2). However, in comparison with P/E forward of other stock markets, stocks in HOSE will become less attractive.

Basing on predicted EPS growth as well as acceptable P/E, there are two prospects for VnIndex:

Content	Scenario 1	Scenario 2
GDP growth	<5.0%	>5.0%
Inflation	<6% or >8%	6%-8%
Credit growth	Tightened	Not Tightened
Trade gap	>12 bil USD	<12 bil USD
World Indices	Slow down	Recovery
VN Index	480-520	580-620

With current economic and enterprise situation, the second scenario will possibly happen.

This forecast is based on basic factors that impact on the market and cash flow. Quality, quantity and price of new listed shares will lead the market to go up or down as compared with the acceptable price zone in terms of value of the stock market.



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