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Securities

MORNING CALL

November 03th, 2022

“Cautious sentiment is back”

- ❑ Global stocks fell after the announcement of the Fed
- ❑ Domestic stocks continue to be under pressure, cautious sentiment dominates
- ❑ Contradictory picture of the Rubber industry **#DRC #CSM #SRC #DPR #PHR #DRI**
- ❑ Technical view and recommendations
- ❑ Economic calendar
- ❑ Q&A

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Major stock markets fell slightly

- Wall Street fell back as the major averages faced selling pressure in late Wednesday's trading session. The US Federal Reserve made another rate hike and signaled that the tightening campaign is not over yet. Besides that, ADP Non-Farm Employment Change data was better than expected and the solid report followed stronger-than-forecasted JOLTs Job Openings figures on Tuesday, signaling that the job market remains tight while reinforcing the case for the Federal Reserve to stay with its aggressive tightening campaign.
- US Private companies add more jobs than expected. Private businesses unexpectedly created 239K jobs in October, the most in three months, and compared to market forecasts of 195K. Leisure, hospitality and trade, transportation, and utilities created the most jobs while goods producers pulled back, according to the ADP report.
- The Eurozone October manufacturing PMI fell to 46.4 from 48.4 in September, hitting a 29-month low. This suggests a slowdown in manufacturing coupled with growing inflationary pressures will add to concerns about the euro area's economic outlook.
- Zhengzhou, central China, home to the world's largest iPhone assembly line factory, is facing closure for a week, after the city reported 64 cases of COVID-19.
- Crude oil prices rose after the EIA report showed a decline in US weekly crude inventories. Data showed that US crude stocks declined by about 3.1 million barrels last week, defying expectations for a build of 367,000 barrels.

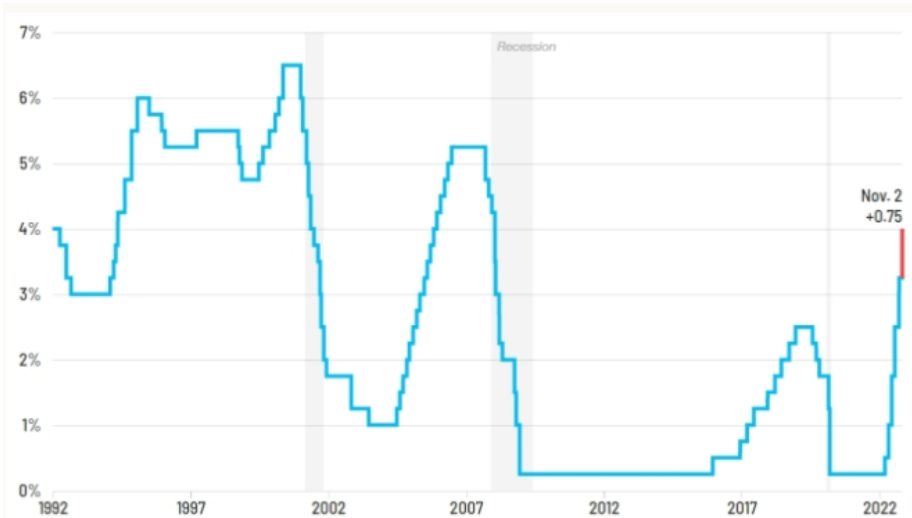
Market	Close	%1D	%1M	%1Y
VN-Index	1,023	-1.02%	-5.82%	-29.16%
S&P 500 Index	3,760	-2.50%	4.85%	-18.81%
Dow Jones Index	32,148	-1.55%	11.91%	-10.83%
GP 100	7,144	-0.58%	3.41%	-1.45%
Nikkei 225	27,663	-0.06%	5.52%	-6.29%
SHCOMP Index	3,003	1.15%	-0.70%	-14.15%
STOXX 600	413	-0.29%	5.77%	-14.10%
KOSPI Index	2,301	-1.53%	6.76%	-22.67%
Hang Seng	15,827	2.41%	-7.33%	-36.75%

Currency & Commodity	Close	%1D	%1M	%1Y
Dollar Index	112.17	0.74%	0.38%	19.51%
USD/VND	24,833.00	0.03%	-3.84%	-8.41%
EUR/USD	0.98	-0.07%	-0.15%	-15.51%
USD/CNY	7.29	-0.17%	-2.39%	-12.21%
Brent	95.39	-0.80%	7.35%	16.34%
WTI	89.02	-1.09%	6.45%	10.09%
Natural gas	6.12	-2.33%	-5.38%	7.97%
Coal	361.00	0.56%	-16.76%	156.21%
Gold	1,634.61	-0.04%	-3.84%	-7.64%

Fed raises interest rates for the 4th time in a row

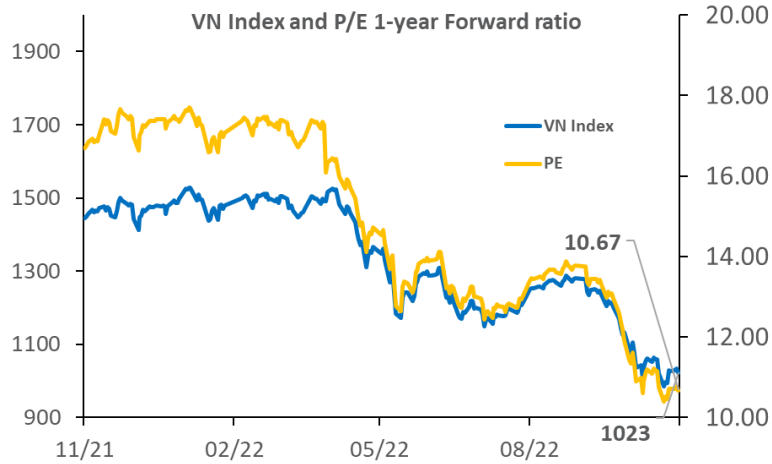


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US reference interest rates for the past 30 years. Source: CNN

- The US Federal Reserve (Fed) on November 2 continued to raise the reference interest rate by 75 basis points, aiming to cool down the 40-year high inflation. The reference interest rate in the US is currently in the range of 3.75-4%. This is the highest level since January 2008. The decision to raise interest rates was made after a two-day policy meeting of the Federal Open Market Committee (FOMC). This is the agency's strongest move since the 1980s..
- Mr. Powell also reaffirmed his commitment to lowering inflation. His stance is that persistent, high inflation will have greater economic consequences than a recession.
- The Fed's announcement also hinted at a policy change, writing that in deciding to raise rates, it will "consider the total amount of monetary tightening, the lag of the impact on economic activity, inflation, the economy and finance". Economists expect this to be a sign the Fed may cut interest rates by 50 basis points at its meeting next month, and raise less in 2023.
- However, Chairman Powell also noted that interest rates will eventually be higher than previously expected. Fed aims to achieve monetary policy stance sufficiently restrained to bring inflation back to 2%.



	Close	PE	Difference	%1D	Trading volume (mn stocks)	Trading value (VND bn)
VNI INDEX	1,023.19	10.67	-10.56	-1.02	578	10,096
HNX INDEX	211.66	12.86	-0.70	-0.33	49	750

Money flow and sector rotation (VND bn)

Sector	%1D	11/2/2022	11/1/2022	20-session Average	
Health Care		394.57	25	5	12
Chemicals		104.25	618	303	510
Technology		74.77	85	49	99
Retail		41.84	431	304	414
Utilities		24.96	103	83	175
Personal & Household Goods		9.95	94	85	108
Insurance		6.61	17	16	42
Industrial Goods & Services		4.53	364	348	383
Travel & Leisure	-0.3		8	8	31
Real Estate	-2.0		1,189	1,214	1,370
Food and Beverage	-2.6		407	418	653
Construction & Materials	-3.6		292	303	443
Financial Services	-14.5		675	789	851
Automobiles & Parts	-14.7		9	10	51
Banks	-26.3		1,489	2,021	1,609
Oil & Gas	-32.2		121	179	218
Basic Resources	-41.2		933	1,587	859
Media	-80.5		0	2	1

Macro

Positive

- Memorandum of Understanding on cooperation in the field of wind energy and energy efficiency was signed on November 1 in Hanoi on the occasion of the visit of Danish Crown Prince Frederik. These are the areas where Denmark has strengths and wants to support Vietnam.
- The People's Committee of Ho Chi Minh City has assigned specific tasks to departments and branches to disburse public investment capital from now until the end of 2022, to reach 95%. As of September 30, the city's total disbursed capital was VND 10,379 billion, reaching 27% of the total assigned capital plan.

Less positive

- The State Bank of Vietnam continues to increase the operating interest rate by 1%, effective from October 25.
- The State Bank of Vietnam (SBV) decided to adjust the USD/VND spot exchange rate band from $\pm 3\%$ to $\pm 5\%$ from October 17.



Business news

- VGI, Following the growth momentum of the first two quarters of the year, Viettel Global has just spent the third quarter of 2022 with excellent business results. Consolidated revenue in the third quarter reached more than VND 6,300 billion, up 15% over the same period. Meanwhile, COGS even decreased, helping to increase gross profit by 48% to VND 3,608 billion. Gross profit margin skyrocketed to 57%, compared to 45-48% of the same period and the first 2 quarters of the year. Besides, exchange rate fluctuations also positively supported Viettel Global's financial situation, with net financial income positive more than VND 1,000 billion in the quarter.

In 9 months, Viettel Global's revenue increased by nearly 18% to VND 17,600 billion. Gross profit nearly doubled to VND 8,876 billion and pre-tax profit in the first 9 months of 2022 of VGI increased by nearly VND 4,400 billion (368%) from VND 1,185 billion to VND 5,549 billion.

- VEA, Viet Nam Engine And Agricultural Machinery Corporation has just announced its consolidated financial statements for the third quarter of 2022 with net revenue of VND 1,232 billion, up 55% and net profit of nearly VND 1,900 billion, 2.5 times higher than the same period last year. Last year, profit margin improved from 8.5% to 13%.

Accumulated in the first 9 months, VEA brought in VND 3,480 billion in net revenue and VND 5,141 billion in profit after tax, up 23% and 31% respectively over the same period. The Corporation's net profit reached VND 5,090 billion, up 31%

- TAR, Q3, Trung An Hi-Tech Agriculture JSC recorded net revenue of nearly VND 490 billion, down 33% over the same period. Cost of goods also decreased by 30%. Gross profit decreased 46% to VND 38.4 billion. Gross profit margin narrowed from 9.7% to 7.8%. The burden of interest made the company's financial expenses increase by 30%, to nearly VND 22.8 billion. As a result, TAR's net profit in the third quarter of 2022 dropped by 98%, from nearly VND 34 billion (Q3/2021) to VND 830 million. In the first 9 months of the year, TAR brought in VND 2,222 billion in net revenue, up 14% and profit after tax of more than VND 52 billion, down 9%

- PC1, Company announced to pay shares dividend at the rate of 15%, ex-dividend date is November 01th.

Tire business prospered in Q3

	Quarter 3 (billion VND)			
	Net Revenue	+/- (%)	Profit after tax	+/- (%)
DRC	1,353	46%	77	129%
CSM	1,486	47%	23	
SRC	235	11%	4	-63%

	Gross profit margin	
	Q3/2022	Q3/2021
DRC	17%	14%
CSM	12%	6%
SRC	18%	20%

Thanks to the benefit of input material prices, the gross profit margin of enterprises in the industry has improved significantly, only the gross profit margin of SRC decreased slightly over the same period.

	9 months (billion VND)			
	Net Revenue	+/- (%)	Profit after tax	+/- (%)
	3784	85%	227	10%
	4117	83%	50	86%
	702	69%	37	5%

- The positive results of the tire business group in the third quarter were achieved in the context that the tire industry benefited from both input and output of products.

- On the input side, the price of natural rubber and some chemicals cooled down and fell below the average level in the third quarter of 2021, creating leverage to help push the profits of businesses in the industry up.

The decline in price of natural rubber took place in the context that supply increased again after the impact of the epidemic, but demand decreased sharply because the world's largest natural rubber importer, China, was blocking a lot regions under the Zero COVID policy.

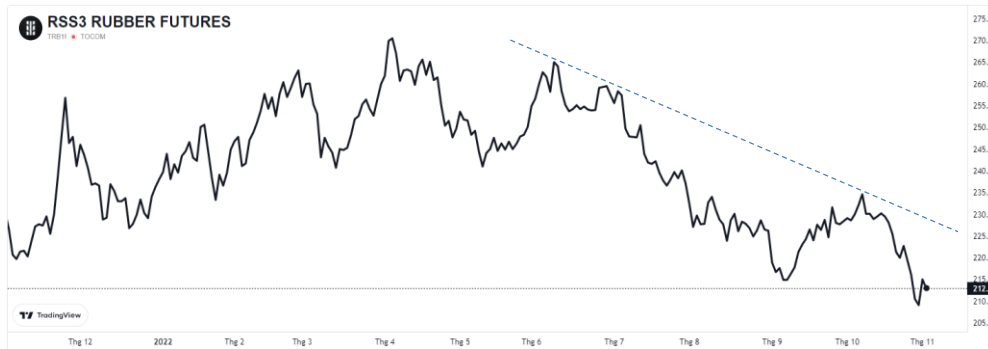
- For output, many tire export markets in the world have reopened after the effects of the COVID-19 epidemic gradually faded away, resulting in an increase in export revenue, contributing largely to the overall result in the last quarter. In addition, during the period, tire companies also had an increase in product selling prices, helping to improve revenue.



Price movement of rubber futures contract on TOCOM

Natural rubber businesses reduce profits in Q3

	Net Revenue		Profit after tax		Gross profit margin	
		+/- (%)		+/- (%)	Q3/2022	Q3/2021
PHR	523	0%	122	-16%	31%	38%
DPR	341	13%	85	24%	36%	32%
RTB	189	-29%	4	-96%	27%	50%
TRC	125	37%	12	-62%	21%	31%
DRI	110	-25%	-6	-140%	33%	40%
BRR	97	3%	13	-62%	16%	51%
SBR	78	-12%	1	-8%	3%	11%
HRC	47	-1%	1	29%	14%	5%
TNC	21	71%	2	-78%	17%	10%



Price movement of rubber futures contract on TOCOM

- The main reason for the sharp decline in business results of rubber companies is probably because the world rubber price has continuously decreased in recent years. It can be seen that the net profit of enterprises mostly went down in the third quarter, even Dak Lak Rubber had to record a loss.
- The gross profit margin of most businesses also decreased over the same period due to the impact of the market and low selling price of latex rubber.
- There are 3 enterprises that still maintain the upward momentum of gross profit margin, including Dong Phu Rubber (DPR), Hoa Binh Rubber (HRC) and Thong Nhat Rubber (TNC). In which, only HRC is the increase in gross profit margin thanks to rubber business, while TNC is mainly thanks to banana business, and DPR explains due to liquidation of rubber trees.
- A notable item of rubber enterprises is the long-term unfinished construction cost, when the largest proportion in this item is the basic construction gardens of the enterprises. However, from the beginning of 2022 until now, rubber companies tend to gradually liquidate their old rubber plantations, thereby increasing the value of other profit items on the income statement.

➤ In general, tire businesses still achieved positive business results because they benefited from reduced input costs. On the contrary, the natural rubber group is at a disadvantage due to low output prices. However, the general background of weakening global demand due to recession fears still affects both industry groups.



Trend: Caution is back

• Selling pressure was somewhat dominant in today's session when investors' caution before the FED meeting on November 3 was still dominating the trade. This made it difficult for the index to move up and had to close in red. However, the drop was not too big and the index is still balancing above the 10-day MA. Order matching decreased a bit compared to yesterday. Most of the industry groups started to slow down after the recent good recovery, which is reasonable to reinforce the bullish momentum. In general, trading fluctuated will continue and the strategy will be in favor of holding.

Scenarios:

- Positive (60%): The index balanced around 1,000 – 1,020 points and created a recovery pace to retest 1,080 points, better than 1,100 points.
- Less positive (40%): The index continued to drop, losing the threshold of 980 points. At this time, the risk increases and the falling momentum can find the area of 940 - 950 points and lower to the threshold of 880 points.

Updated date **3/11/2022**

Unit: thousand VND

Today's watchlist

	Recommendation	Buying price (+/- 1%)	Target	Cut loss	Upside	Downside	Current price	Signals
VGI	Watch							Breaking above 20-day MA, volume improves
FRT	Watch							Maintain above 20-day MA, MACD, RSI improve
PVS	Watch							Test MA20 day, volume improves

Trading portfolio

Ticker	Recommendation	Buying price (+/- 1%)	Target	Cut loss	Upside	Downside	Current price	T+	Profit/Loss	Date	Note
BMI	Buy	23.7	27	22.5	14%	-5%	23.7	1	0.00%	02/11/2022	
CTG	Buy	23.5	26	22	11%	-6%	24	3	2.13%	31/10/2022	
VNM	Buy	77.5	85	74	10%	-5%	78.3	3	1.03%	31/10/2022	
TNG	Hold	16.2	18	15	11%	-7%	16.3	12	0.62%	18/10/2022	
NTP	Hold	37.4	40	35	7%	-6%	35.5	12	-5.08%	18/10/2022	
NT2	Hold	26.2	29	25	11%	-5%	25.7	11	-1.91%	19/10/2022	

November 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1 ISM Manufacturing PMI JOLTS Job Openings	2 ADP Non-Farm Employment Change Monetary Policy Meeting (BoJ)	3 FOMC Statement Federal Funds Rate BOE Monetary Policy Report ISM Services PMI (US)	4 Non-Farm Employment Change, Unemployment Rate (US)	5
6	7 Trade Balance, Unemployment Rate (China)	8 Congressional Elections (US)	9 Crude Oil Inventories (US) CPI, PPI y/y (China)	10 CPI, Core CPI (US) Unemployment Claims	11 Portfolio Structure Announcement (MSCI) GDP (UK) Prelim UoM Consumer Sentiment (US)	12 Treasury Currency Report (US)
13	14 Announcement deadline reviewed Q3/2022 financial statements. Monetary Policy Report Hearings (UK)	15 Monetary Policy Meeting (Australia)	16 CPI (UK) Retail Sales (US)	17 Expiration of futures contract VN30F1M Housing Starts (US)	18 Existing Home Sales (US)	19
20	21 Flash Manufacturing and Services PMI (UK, French, German)	22 Ishare MSCI review	23 Flash Manufacturing and Services PMI (US)	24 FOMC Meeting Minutes	25 Tokyo Core CPI y/y	26
27	28	29 CB Consumer Confidence (US) Monthly macroeconomic data release	30 Prelim GDP q/q (US)	1	2	3



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Q&A



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