



VIETNAM DAILY NEWS



JAPAN SECURITIES INC.

April 03rd, 2019

Table of content

Table of content

- 1. Market drops despite global rally**
- 2. March's manufacturing output growth at 4-month high**
- 3. Central Vietnam seen as potential site for golf tourism**
- 4. 5,400 tons of seafood stuck at fishing ports: VASEP**
- 5. China's manufacturers continue trends of shifting production capacity to Vietnam**
- 6. CPTPP countries – potential markets for Vietnamese wood industry**
- 7. Retail sales rise on increased consumption demand in Q1**
- 8. Prime Minister sets emissions standards for used cars**
- 9. CMG: Result of private placement of bonds**
- 10. CMG: Resolution on the appointment CFO**

Market Analysis

1. Market drops despite global rally

The benchmark VN-Index on the Ho Chi Minh Stock Exchange was down 0.28 per cent, closing at 985.81 points.

The southern market index rose 0.79 per cent on Monday.

More than 236 million shares, worth VND4.9 trillion (US\$209 million), were traded on the southern bourse.

The VN-Index in the morning extended gains, driven by the positive sentiment of investors over the strong gain of the US market during Monday's overnight trade.

The Dow Jones Industrial Average rose 329.74 points, or 1.27 per cent, to 26,258.42, the S&P 500 gained 32.79 points, or 1.16 per cent, to 2,867.19, and the Nasdaq Composite added 99.59 points, or 1.29 per cent, to 7,828.91.

On the Vietnamese market, during the morning session, purchasing power concentrated on blue-chips such as dairy firm Vinamilk (VNM), Vinhomes (VHM), Petro Vietnam Gas JSC (GAS), Vingroup (VIC) and Vincom Retail (VRE).

But in the afternoon, the gaining trend stopped as selling pressure caused the indexes to drop slightly.

Large-cap stocks like brewery Sabeco (SAB), Bank for Investment and Development (BID), Vietinbank (CTG) and Vinhomes (VHM) were hit strongly.

According to BIDV Securities Company (BSC), the market is still struggling with a lack of cash flow and strong supportive information.

Investors should carefully observe economic and political developments, especially the Brexit agreement and the US-China trade negotiations, BSC said in its daily report. According to Moody's global recession may occur if there is no US-China agreement in the next few months.

Petroleum stocks traded in positive territory on Tuesday, boosted by the increase of oil prices on Monday's overnight trading. This contributed to narrow the downward trend of the indices.

Brent crude was up 0.9 per cent to end Monday at \$69 a barrel, the highest level since November 12, 2018.

Brent crude inched up 0.1 per cent on Tuesday morning's trading.

On the local market, PetroVietnam Gas (GAS) advanced 0.3 per cent, PetroVietnam Drilling and Well Services (PVD) added 1.1 per cent, Drilling Mud Joint Stock Corporation (PVC) rose 1.4 per cent and PetroVietnam Technical Services Corporation (PVS) went up 1 per cent.

The petroleum sector index was up 0.6 per cent, according to data on vietstock.vn

On the Ha Noi Stock Exchange, the HNX-Index lost 0.22 per cent to end at 107.48 points.

The northern market index increased by 0.27 per cent on the first trading day of the week.

Foreign investors Tuesday bought a net VND259.98 billion on the HOSE, focusing on Masan Group (MSN) (VND107.19 billion), Vingroup (VIC) (VND66.27 billion) and Vinamilk (VNM) (VND34.97 billion). In addition, they bought a net VND4.72 billion on the HNX.

Macro & Policies

2. March's manufacturing output growth at 4-month high

The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index (PMI) posted 51.9 in March, up from 51.2 in February, signaling an improvement in the health of the sector for the 40th successive month. Although registering below the 2018 average, the PMI was comfortably above the 50 no-change mark at the end of the first quarter, said a Nikkei report launched on April 1.

New orders rose for the fortieth month in a row during March amid increased customer numbers and growth of new export business. Moreover, the rate of expansion in total new orders was the fastest in three months.

The rate of growth in manufacturing production, meanwhile, quickened for the second successive month and was slightly faster than that seen for new business. This enabled firms to reduce their backlogs of work and add to stocks of finished goods. However, the latest depletion of outstanding business was only marginal and the slowest in the current three-month sequence of decline.

The increase in output was recorded in spite of a slight reduction in staffing levels in March. Panelists suggested that employee resignations had hampered their efforts to expand workforce numbers in response to greater workloads.

Andrew Harker, associate director at IHS Markit, which compiles the survey, said: "While still some way short of the strong growth rates recorded last year, the manufacturing PMI data for March suggest that Vietnamese firms have weathered the recent slowdown in global trade and were able to

continue to secure greater new order volumes and expand production."

IHS Markit forecasts industrial production to grow 8.2% in 2019, with PMI data suggesting that the manufacturing sector will continue to contribute positively to this, Harker said.

As has been the case throughout 2019 so far, inflationary pressures remained muted in the sector at the end of the first quarter. Input costs rose marginally and at a pace that was well below the series average.

This lack of pressure on costs meant that firms were again able to offer discounts to customers. Charges decreased for the fourth consecutive month, albeit fractionally.

Manufacturers in Vietnam responded to higher output requirements by increasing their purchasing activity sharply, with the rate of expansion the fastest in the year to date. Stocks of purchases decreased, however, as inputs were used to support production growth. The fall in input inventories was the second in as many months.

Almost half of all respondents to the latest survey predict output to increase over the coming year. Strong optimism reflected expected improvements in market demand and investment in expanding productive capacity.

These factors are forecast to help firms meet their plans for higher output. Confidence was higher than in February and broadly in line with the series average.

3. Central Vietnam seen as potential site for golf tourism

Last weekend, Binh welcomed a fam trip delegation from Sweden that planned to go sightseeing and research the city's golf service suppliers' facilities as well as review tourism

products in Danang City and Quang Nam and ThuaThien-Hue provinces.

“In recent years, Europe has increasingly been considered a potential international source market for the city,” Binh remarked after meeting with the delegation.

He added that the launch of the Doha-Danang direct air route, which was put into service by Qatar Airways last December, has opened the door for Danang City to connect with 160 destinations, especially in Western and Northern Europe, including Sweden, to which Qatar has an established air route network.

Statistics from Qatar Airways show that the number of tourists from Northern Europe, including Sweden, has risen sharply and is expected to continue its upward trend in the coming period.

As such, through the fam trip, the city expected to attract more visitors, mainly golf tourists, from the market.

“Golf tourism is a potential segment that the city will focus on to further develop the municipal tourism sector,” Binh said.

A source from the Danang Tourism Promotion Center stated that following the fam trip, many travel firms realized the potential of golf tourism in central Vietnam, especially in Hue, Danang and Quang Nam.

Anders Petterson, a representative from Sweden's Golf Plasir, noted that Danang City has enough potential to develop golf tourism, adding that the city is already a destination that welcomes golfers from Sweden and Scandinavia.

In addition, Nina Astor, a representative from Qatar Airways in Sweden, remarked that the carrier would act as a bridge connecting Danang-based travel firms with tour operators serving golfers in Sweden to bring more tourists to central Vietnam.

During the fam trip, the delegation visited and checked a number of golf courses in the region, such as Laguna Lang Co, Montgomerie Links and Ba Na Hills, apart from surveying high-end hotel infrastructure and going on tours to Linh Ung Pagoda, the Marble Mountains, My Khe Beach and Ba Na Hills.

4. 5,400 tons of seafood stuck at fishing ports: VASEP

At a meeting on April 1 with the prime minister's working group, Nam referenced difficulties with production and business activities in the agriculture sector triggered by prevailing regulations.

Specifically, only 47 of the 83 fishing ports nationwide are qualified to certify the origin of seafood batches, based on standards in Circular 21 issued last year by the Ministry of Agriculture and Rural Development.

The ministry's Circular 36, also issued last year, has further hindered seafood exports. Accordingly, importers of seafood materials from transit ports must submit certified copies of certificates of origin issued by the countries where the transit ports are located.

The regulation is unreasonable, according to Nam.

Minister and Chairman of the Government Office Mai Tien Dung, who is also head of the working group, required the Ministry of Agriculture and Rural Development to review and remove unnecessary regulations.

He also asked the ministry not to repeat previous mistakes, as when Circular 21 became effective on February 10 but was not publicized until February 14.

At the meeting, Nguyen Thi Kim Anh, head of the Department of Legislation under the Ministry of Agriculture and Rural Development, noted that by March 25, some 83 fishing ports were operational nationwide, serving some 9,300 fishing boats per day. Roughly 1.8 million tons of seafood is annually transported through these ports.

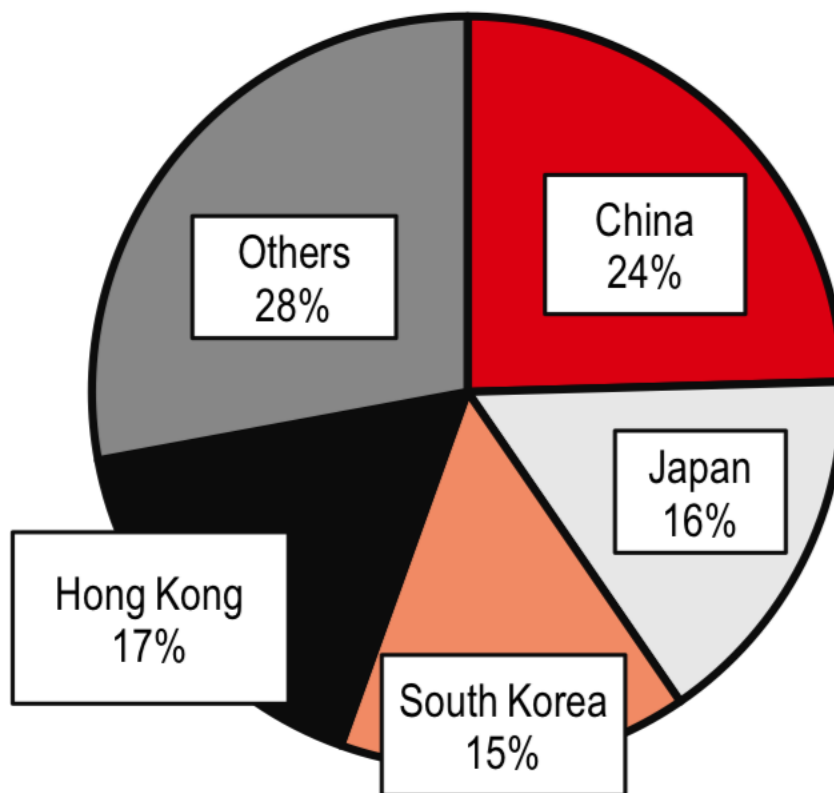
On April 24, the ministry will recognize the remaining fishing ports as eligible to certify the origin of seafood.

The ministry will also abolish the regulation in Circular 36 relating to the certificate of origin being issued by the countries of transit ports, Anh added.

5. China’s manufacturers continue trends of shifting production capacity to Vietnam

As the largest chunk of foreign direct investment (FDI) year-to-date (24%) to Vietnam has originated from China, Chinese manufacturers are

shifting their production capacity to Vietnam, and this trend is expected to continue for much of 2019, HSBC said in its latest report.



Source: CEIC, HSBC

FDI from China has outpaced investments from Japan and South Korea.

China's FDI to Vietnam has outpaced FDI from Japan and South Korea, which have historically been the largest source of investments into Vietnam, stated the report.

despite headwinds from slower global growth. Total registered capital is up 153.2% and newly registered capital is up 75.7% year-to-date year-on-year as of February.

FDI has risen substantially since the start of the year, which should support domestic growth

Over three-quarters (77%) of new FDI has been towards the manufacturing sector, which should

continue to boost Vietnam's manufacturing capacity over the medium-to-long term.

According to the report, Vietnam's GDP growth slowed to 6.8% y-o-y in 1Q19 from 7.3% in the previous quarter, but it still expanded faster than expectations of 6.4 – 6.5%.

Manufacturing activity remains robust, growing at 13.1% year-on-year and contributing 2.5 percentage points to GDP growth in the first quarter, marking the sector's largest contribution to growth in a year.

Meanwhile, domestic demand continues to outperform as measured by sustained growth in the wholesale, retail, transportation, and accommodation sectors. Indeed, the primary drag on services in the first quarter was mostly due to slower growth in the financial sector. This may be partly attributed to slower credit growth since the second half of 2018, as measured by the State Bank of Vietnam (SBV), to contain inflationary pressures.

Export growth since the beginning of 2019 has expanded at its slowest pace in nine years.

And while part of this may be attributed to a

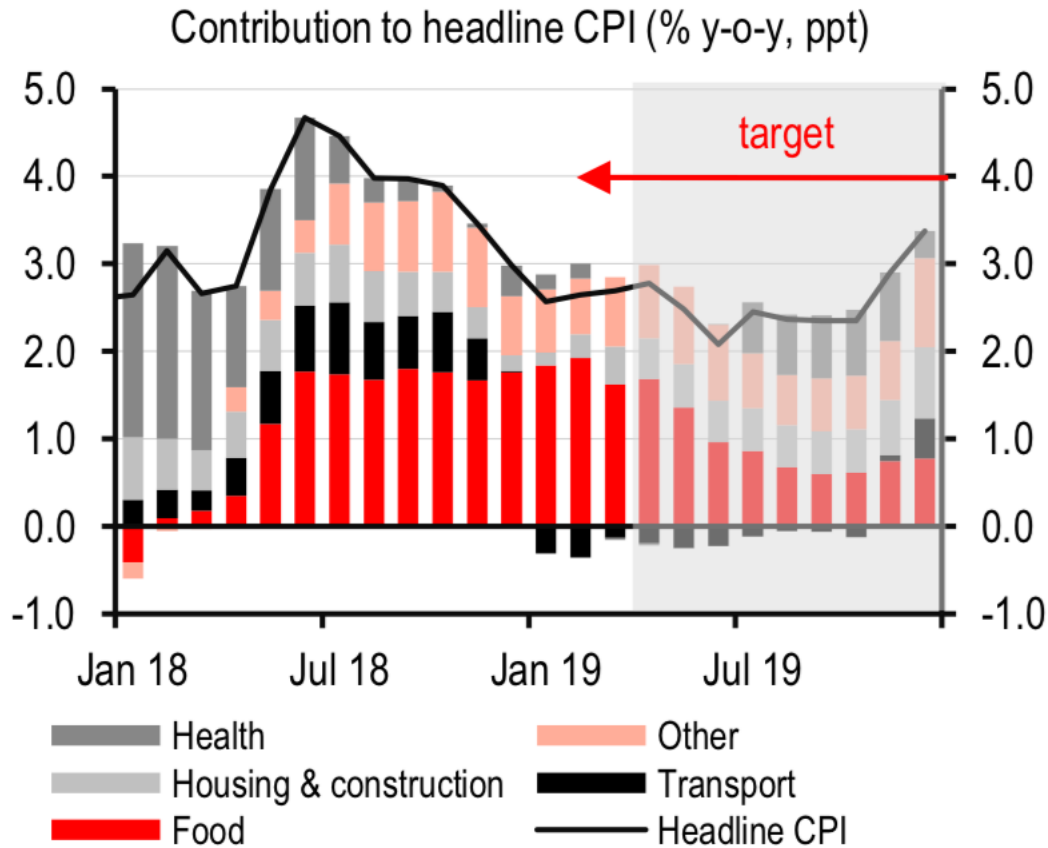
higher base from 2018, the composition of exports also appears to be different. The biggest contributor to export growth this year has been shipments of textiles and footwear, whereas shipments of phones and computer electronics have historically been the biggest contributor to export growth at this time of the year. This is largely due to a downturn in both global demand and the electronics trade cycle, which is likely to lead to a slower pace of export growth in 2019.

This could lead to a moderation in GDP growth overall, which is expected to slow to 6.6% in 2019 from 7.1% in 2018.

However, fiscal stimulus from China and a stable US economy should lead to a normalization of global growth in the second half of 2019, providing a boost for Vietnam's manufacturing sector, the report stated.

Inflation considerations

Meanwhile, inflationary pressures remain benign and are unlikely to be an issue for the SBV. Headline inflation declined 0.2% month-on-month in March as a result of lower food prices following Tet holiday in February.



Source: CEIC, HSBC

This year's inflation trajectory poses no threat to the SBV's target.

The sequential decline in prices is likely to be temporary and should normalize in the coming months, but it should not pose a threat to the SBV's "below 4%" inflation target for the year.

It is expected headline inflation to average 3.1% in 2019, which should allow the SBV to focus solely on sustaining economic growth than containing price pressures. The government would also be prudent to continue its reforms to liberalize healthcare prices amidst this year's low inflation environment to help ease any strains on the fiscal budget.

That said, there is potential upside risks to inflation exist. This year's El Nino cycle could bring upward pressures on global food prices if it leads to widespread drought in the Asia-Pacific region. It may also cause stronger storms in the second half of the year, potentially raising prices on agricultural products for much of the region.

But as the impact of El Nino has been largely more moderate this year compared to previous cycles (except in the Philippines), the report suggested a moderate rise in food and agricultural prices in the second and third quarters of this year.

6. CPTPP countries – potential markets for Vietnamese wood industry

Quyen said when the agreement comes into effect, Vietnam's wood and timber product exports to New Zealand, Singapore and Mexico will increase.

The Southeast Asian country will also be able to expand exports to Peru, Chile and Brunei, he added.

In 2018, the total export turnover of Vietnam's wood and timber products to the CPTPP markets exceeded 1.6 billion USD, up 14.6 percent compared to 2017 and accounting for 18.3 percent of the country's total wood and timber product export value.

Specifically, Vietnam exported wood to Japan with a record high of 1.119 billion USD, a year-on-year increase of 12.16 percent.

Australia was second with 174.05 million USD, up 14 percent, then Canada at 155.89 million USD.

Exports to Malaysia and Mexico also surged by 86 percent and 61 percent respectively.

Quyen said Japan has always ranked first, accounting for 69 percent of Vietnam's total

exports of wood and timber products to the CPTPP countries.

Australia was the second biggest wood importer among countries joining the deal as it has big demand for wooden furniture.

Vietnam is the fourth biggest supplier of furniture for Canada, comprising about 12.9 percent of the market's furniture import turnover.

Nguyen Quoc Tri, Director General of the General Department of Forestry under the Ministry of Agriculture and Rural Development, said the sector will implement the Law on Forestry and build guidance documents on mechanisms and policies to implement new international commitments such as CPTPP, Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT) to support the wood processing and forestry industry with stable development.

It will support Vietnamese wood businesses and associations to update market information and legal regulations on wood as well as increase their management capacity, he added.

7. Retail sales rise on increased consumption demand in Q1

This represented a rise of 12 per cent over the same period last year, and 8.9 per cent excluding inflation, fuelled by increased consumption demand in the early months of the year when the Tet (Lunar New Year) holidays occurred, the office said.

The retail value of consumer goods totalled \$910.4 trillion, accounting for 76.8 per cent of the retail sales total and rising by 13.4 per cent over the same quarter last year. Significant rises in purchasing power for consumer goods were seen in Long An, Quang Nam, Binh Duong, Hai Phong, Ha Tinh, Bac Ninh, HCM City and Ha Noi, with growth rates ranging from 12 per cent to 18 per cent.

Revenue from accommodation and catering services was estimated at VND140 billion, up by 9.2 per cent, while retail revenue from tourism services totalled \$11.3 trillion, up by 12.8 per cent.

International tourist arrivals to Viet Nam increased by 7 per cent in the first quarter, reaching 4.5 million, mainly from mainland China, South Korea, Japan, Russia, Taiwan and the US.

Statistics also showed that telecommunications services revenue totalled VND104 trillion in January – March, a rise of 7.5 per cent. As of the end of March, Viet Nam had more than 135 million phone subscribers together with 13.9 million internet subscribers.

8. Prime Minister sets emissions standards for used cars

The official Vietnamese regulation titled “Road vehicles – maximum permitted limits of exhaust gases” includes four standards, with standard 1 being the highest permitted limit.

In the roadmap, standard 1 applies to vehicles with positive-ignition and compression-ignition engines produced before 1999, while standard 2 applies to vehicles manufactured from 1999 to 2008 (effective January 1, 2021) and to vehicles made after 2008 (effective January 1, 2020).

On October 10, 2005, the then Prime Minister, Phan Van Khai, issued a decision stipulating a roadmap for emission standards for road vehicles. Since the first years of implementation of the

decision, the control of emissions of locally manufactured and assembled automobiles and imported cars has brought significant results.

However, as of May 5, 2018, the number of cars on the roads had risen 3.22 times to nearly 305,800 compared to that of 2008, contributing to air pollution, especially a significant increase in urban air pollution.

On September 1, 2011, the then Prime Minister, Nguyen Tan Dung, also issued a new decision in which newly manufactured and assembled and imported cars must meet Euro 4 emission standards by January 1, 2017 and Euro 5 standards by January 1, 2022

Corporate News

9. CMG: Result of private placement of bonds

↑ 1.18%

File Attachment

CMC Corporation announces the result of private placement of corporate bonds as follows:

[20190402 CMG-190402-Result-of-private-placement-of-bonds--MN.pdf](#)

10. CMG: Resolution on the appointment CFO

↑ 1.18%

Thanh Son as CFO in 03 years as from April 01, 2019 to March 31, 2022./.

On April 01, 2019, The Board of Directors of CMC Corporation approved the appointment of Mr. Le

Research Team: **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818 Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn