



VIETNAM DAILY NEWS



JAPAN SECURITIES INC.

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Market Analysis

1. Stocks hit by sell-off of blue chips

The VN-Index of the Hochiminh Stock Exchange closed the day down 0.91% to 988.48 points, with 207 stocks inching down and a mere 11 others rising. More than 165 million shares changed hands with a total value of VND4.2 trillion, up 23% against the previous session.

The volume of shares transacted in block deals was 12.84 million shares, contributing more than VND640 billion to the total trade value on the exchange.

The VN-Index almost hit 1,000 points before it settled at more than 990 points at the end of the morning phase.

The VN30 basket was attributed to the market pullback, with 22 stocks sliding. The large-cap dairy firm VNM fell 1.3% to VND135,400 per share, while property firm VIC and its affiliate VHM edged down by 2.2% and 0.8% to VND113,000 and VND93,800, respectively. Other major firms, including leading gas group GAS and brewery SAB, tumbled over 1.5%.

The most notable stock in the VN30 basket was construction firm CTD, whose merger and acquisition plan with Ricons was suspended, which put the stock under selling pressure. It saw 651,760 shares traded at the floor price of VND130,900 per share, down 7%.

One of the upsides was some lenders in the basket like VCB, TCB, VPB advanced slightly. Budget

carrier VJC added 1.8% to VND112,500 thanks to news about a 55% increase in share dividend payment for 2018.

Strong selling also caused the HNX-Index of the Hanoi Stock Exchange to plunge sharply in the afternoon phase.

The HNX-Index plummeted 1.12% to 107.71 points, with 42.3 million shares changing hands with a total value of VND535 billion, rising 19.68% in volume and dropping 3.94% in value versus Monday.

The northern market saw 5.55 million shares transacted in block deals, totaling over VND130 billion. Of this, construction firm VCG accounted for some 3.3 million shares.

Only two stocks, construction companies VC3 and VMC, in the HNX30 basket slightly rose while the remainder mostly dipped or closed unchanged.

Some heavyweights faced sharp falls. Lender ACB fell 1% to VND30,500 while its fellow SHB declined 2.6% to VND7,500. Construction firm VCG inched down by 2.6% to VND26,500.

The fuel stocks that performed well on April 8 also came under pressure, including PVS and PVI which fell 4.3% and 2.5%. PVS was the most actively traded stock on the northern bourse, with total matching volume reaching nearly 7.8 million shares.

Macro & Policies

2. Biofuel consumption rises in HCMC

A survey of multiple HCMC-based filling stations showed that biofuel consumption rose to 40% from the previous 30%, while that of the fossil type RON 95 gasoline declined to 60% from 70%.

After the price adjustment, the retail price of E5 biofuel was VND1,500 per liter lower than that of RON 95 gasoline, resulting in a rising number of customers using the biofuel. The majority of customers contributing to the increase in E5 biofuel consumption were owners of trucks, coaches, taxis, Grab vehicles and motorcycles.

To further enhance biofuel consumption to protect the environment from air pollution due to carbon emissions, many fuel outlets have proposed the competent authorities and fuel wholesale firms arrange promotion activities to introduce the quality of biofuel and guarantee the supply and quality of the product to gain customers' trust.

A representative of Vietnam National Petroleum Group (Petrolimex) noted that the group is in the process of expanding its direct retail distribution system and cooperating with many traders to boost the sale of E5 biofuel.

In addition, Petrolimex suggested the Government promote activities that introduce the quality and benefits of E5 biofuel to residents, apart from adopting measures to tighten control over and monitor the quality of biofuel.

Fuel supply and consumption in the city remain stable, according to the HCMC Department of Industry and Trade.

The city saw fuel consumption total over 5,700 cubic meters per day, or 171,570 cubic meters per month, last month, with RON 95 gasoline and E5 biofuel amounting to 3,600 and 2,050 cubic meters per day, respectively.

3. Hanoi to spend \$625,000 a year on metro line subsidies

Capital city authorities said Hanoi plans to give free tickets to people with disabilities, children under six or people who made notable contributions in wartime on the Cat Linh – Ha Dong metro line, which is set to open this month.

A 50 percent discount will be given to students, industrial workers and senior citizens, and a 30 percent discount to businesses that buy tickets in bulk for their employees.

With an average ticket price of VND10,000 (43 cents), and discounts estimated to apply to 12 percent of total passengers, the value of annual subsidies has been estimated at around VND14.5 billion.

The city had earlier proposed that it provides free tickets to all passengers within the first 15 days of commercial operations.

The maximum fare on the first metro line will be VND15,000 (65 cents), and the minimum, VND8,000 (34 cents).

Passengers can also buy monthly season tickets for VND200,000 (\$8.61) or daily tickets for VND30,000 (\$1.29), both allowing unlimited trips.

These proposed fares are an introductory offer and will be increased later, officials have said.

Work on the Cat Linh-Ha Dong elevated railway began in 2011 and was originally scheduled for completion in 2013. But several hurdles, including loan disbursement issues with China that were only resolved in December 2017, stalled it for years.

The original estimated cost of \$553 million also ballooned to more than \$868 million, including \$670 million in loans from China.

The metro runs 13 kilometers through 12 stations from the Yen Nghia Station in the southwest Ha Dong District to Cat Linh Station downtown. There

is a 3-to-5-minute waiting period between each trip.

4. Viettel installs first trial 5G BTSs in Viet Nam

The 5G BTS was installed at Viettel's building in Hoan Kiem District. The other two BTSs will be installed at No 19 Duy Tan and at its headquarters at 1 Tran Huu Duc in Ha Noi. It is expected that the first 5G BTSs will officially broadcast 5G services.

Viettel said it planned to install 70 5G trial BTSs in Ha Noi and HCM City in June so that it can collect a detailed evaluation on coverage, data and maximum speed to prepare for 5G network planning and design nationwide.

Deputy Prime Minister Vu Duc Dam at a 5G conference last month said that 5G was highly significant to Viet Nam and ASEAN countries as part of their co-operation to develop a digital economy.

A 5G network will not only be a breakthrough in terms of speed, but will also create a new internet

era of artificial intelligence (AI) and blockchain that will basically change the world's production methods, he added.

Meanwhile, Minister of Information and Communications Nguyen Manh Hung said that 5G would be an opportunity for Viet Nam to improve its ranking in the world. Viet Nam would implement a trial 5G in 2019 and provide 5G services in 2020. It will be among the first countries in the world to deploy 5G.

Hung said that 5G would help develop the country's ICT industry.

A 5G network was first deployed globally on April 4 by providers at SK Telecom, KT, LG Uplus (South Korea) and Verizon (the US).

5. Construction permits decline in first quarter

A representative from the Department said that the number of new buildings and its eligibility to sell would drop drastically in the future because of complicated administrative work leading to delay in approval.

Meantime, in its document to relevant agencies, the HCMC Real Estate Association (HoREA) complained that the city's state collection of land use fees dipped by 22.5 percent in 2018 and by 76 percent in two first months of 2019 compared to the same period last year.

Total tariff in the two months in the city was up to VND10,110 billion (US\$435,951,046), an increase of 13.5 percent compared to last December whereas land-related debts were VND1,370 billion accounting for 14 percent of total tariff.

Seventy-six enterprises in the sector owed nearly VND800 billion of land use tax.

Worse, construction enterprises saw a reduction in the number of bidding in projects because developers have had no new projects.

HoREA said land use fee and rent make up a large proportion in the city's state budget revenue and city authorities base on it to decide annual land price coefficient.

If annual land price coefficient is raised, it will make impact on land use payment and households' land rent from 2020 and later; accordingly, policy makers should carefully consider all including land price coefficient and

land price index for the stability and social security.

Therefore, HoREA petitioned relevant agencies to apply the land price coefficient this year

equivalent to 2018 as per the government' decision No. 09/2018 which fluctuates from 5 percent to 8.33 percent.

6. Moody's backs Viet Nam's strict proposal on unsecured consumer lending

The State Bank of Viet Nam has proposed changes to regulations on personal unsecured lending by consumer finance companies. The proposed changes include limiting unsecured personal loans in cash to existing customers with good credit and no overdue debt; and limiting the maximum amount of such cash loans to 30 per cent of total loans.

The central bank has not specified when it intends to carry out the new regulations.

According to Moody's, the proposal is credit positive for Vietnamese finance companies because the stricter regulations will help alleviate asset quality pressure by curbing excessive growth in the riskier consumer-loan segment, which will lead to stronger risk-adjusted returns and will support internal capital generation in the future.

The rating agency also said that bottom-line profitability of finance companies was expected to decrease in 2019 as companies adjust to the new rules.

VPBank Finance Co Ltd (FE Credit) has the highest proportion of personal loans in its loan portfolio among the three largest finance companies by total loans in Viet Nam. The other two companies are Home Credit Vietnam Finance Co Ltd (Home Credit) and HD Saison Finance Co Ltd

All three companies will need to make adjustments to their businesses by focusing on lower-yield products such as consumer durable and motor vehicle loans. Moody's expects that FE Credit will need to make the most significant adjustments to comply with stricter regulations because of the higher amount of personal loans on its books.

The three companies are also market leaders in other consumer finance segments in Viet Nam and will have to make fewer adjustments to their business practices than smaller finance companies as a result of the new regulations.

These smaller companies have been more reliant on personal loans for business growth and will have greater pressure on their revenue than the top three companies.

Revenue growth of finance companies remains supported by strong consumer demand for credit, while credit costs will be contained by the tighter lending requirement. Both factors will drive stronger risk-adjusted returns for finance companies, according to Moody's.

Viet Nam's consumer finance industry grew at a compound annual rate of 41 per cent between 2013 and 2017 on the back of higher personal income and greater penetration of services.

Moody's expects growth in personal loans to slow significantly when the new regulations come into effect, after far exceeding growth over the past three years for other less-risky consumer loans, such as those for the purchase of motorcycles and durables.

The demand for consumer finance is strong and supported by the buoyant Vietnamese economy.

Now, finance companies constrained from extending new personal unsecured loans because of the new regulations will focus on growing other product segments and will benefit from increased diversification in their lending portfolios and more emphasis on lower-risk products

7. Vietnamese, Dutch firms seek bond in sustainable urban development

The event aims to further tighten the friendship between the Netherlands with Vietnam in general and with Hanoi in particular as part of the ongoing official visit to Vietnam by Dutch Prime Minister Mark Rutte.

Speaking at the seminar, Chairman of the municipal People's Committee Nguyen Duc Chung briefed participants on Hanoi's socio-economic development achievements, with high and stable economic growth.

Hanoi is accelerating deeper integration into the global economy, he said, adding that it always pays attention to improving the business and investment environment to attract foreign investment.

He affirmed that the seminar is a good opportunity to promote win-win cooperation between the two sides, expressing his belief that cooperation between Vietnam, Hanoi and the Netherlands will be made even stronger with prominent achievements in the time ahead.

According to Chung, the Netherlands is among Hanoi's potential investors, with total investment reaching over 606 million USD.

Dutch culture is also not unfamiliar to the people of Vietnam and Hanoi. The Hanoi-Amsterdam High School for gifted students is one of the symbols of friendship between the two capital cities.

Hanoi wants to learn from experience of the Netherlands and hopes to expand cooperation

with the European country in wastewater treatment, Chung said.

President of the Confederation of Netherlands Industry and Employers Hans de Boer said the visit of Dutch Prime Minister Mark Rutte to Vietnam shows that the Dutch government appreciates the friendly cooperative relationship with Vietnam, as well as admires the achievements made by Hanoi and Vietnam in recent years.

He said that the seminar offers an opportunity for businesses of the two sides to share experience, thus opening cooperation opportunities and strengthening bond between the Netherlands and Hanoi.

During the seminar, representatives from the two sides' enterprises offered and discussed solutions, expressing their willingness to establish cooperation.

Officially establishing diplomatic relations on April 9, 1973, Vietnam and the Netherlands have since built good friendship and cooperation.

Notably, Hanoi continues to receive attention from the Dutch government and businesses. Meanwhile, the Netherlands is one of Hanoi's important partners for learning and coordination in many areas, such as environment, urban planning, urban infrastructure and production of construction materials from construction waste, education and training, investment, trade, and tourism.

Corporate News

8. ACV gets further support for terminal investment at TSN Airport

↑ 2.71%

According to a notice signed by Vice Chairwoman Nguyen Thi Phu Ha last week, the commission has agreed with the solution chosen by the transport ministry, picking ACV as the investor in the T3 terminal project. According to the commission, ACV is an airport operator, and it will carry out the project with its own capital.

Earlier, during the collection of suggestions from the relevant ministries for the project, which is expected to serve 20 million passengers annually, the Ministry of Finance and the Ministry of Planning and Investment voiced concern over the investor role of ACV.

As ACV is operating as a joint stock company, the Government cannot give it a project, per the laws on Investment and Construction. Therefore, the Government should put the project up for public auction or assign State capital as the investor if the terminal is regarded as a pressing project, noted the ministries' representatives.

However, the transport ministry still insisted on assigning the project to ACV, stating that the firm

has experience in investing in and operating 21 airports nationwide. Besides this, ACV is capable of investing in the project, which costs some VND11.6 trillion, with its retained profit.

Therefore, if ACV is chosen, the development of the project will move on as scheduled from 2020, thus enabling the terminal to begin operating two years later. Otherwise, the bidding project would take a few more years while Tan Son Nhat Airport faces a severe overload.

Meanwhile, the commission noted that giving the project to ACV would ensure compliance with the rule that each airport must be operated only by a company. The current T1 and T2 terminals at Tan Son Nhat Airport are also funded and run by ACV.

Sharing the same viewpoint with the ministry, the commission agreed that it is an urgent project. Although transparency is secured if investor selection is conducted through a public auction, it is time consuming and complicated to provide training, grant an operations certificate and coordinate with a new investor.

At present, the Government has yet to make a decision between the two suggestions.

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