VIETNAM DAILY NEWS

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Market Analysis

1. Shares rebound, liquidity hits low

Viet Nam's benchmark VN-Index edged up 0.41 per cent to close the session at 966.21 points, narrowing the Ho Chi Minh Stock Exchange's index loss to 1.7 per cent this week.

On the Ha Noi Stock Exchange, the HNX-Index inched up 0.12 per cent to end the day at 105.88 points. The northern market index decreased 1.7 per cent after four trading days this week.

Liquidity, continued to drain with a total of 131 million shares worth VND2.4 trillion (more than US$101 million) traded in the two markets, both down more than 30 per cent compared to the previous session, marking the lowest level since January 29.

According to market analysts, low liquidity demonstrated investors caution and their lack of confidence in market prospects. From a technical analysis approach, a recovery phase accompanies low liquidity and often lacks sustainability.

Large caps drove the market on Friday, as more than half of the VN30 (which tracks the top 30 shares by market value and liquidity on the Ho Chi Minh Stock Exchange) gained value and only seven declined.

Brewer Sabeco (SAB), the biggest loser in the previous session, gained 4.1 per cent, closing Friday at VND240,500 ($10.3) per share, keeping its position as the most expensive stock nationwide.

Other major supporters included Vingroup (VIC), VPBank (VPB), budget airline Vietjet (VJC), housing developer Novaland Investment (NVL), Masan Group (MSN), steelmaker Hoa Phat Group (HPG), PV Gas (GAS) and DHG Pharmaceutical (DHG) with growth of between 0.5 per cent and 2 per cent.

On the other side, slumps from Vinamilk (VNM) and Vietinbank (CTG), two of the 10 biggest stocks by market value, dragged the market down.

Vinamilk lost 1.6 per cent while Vietinbank fell 1 per cent.

"The market is expected to decrease in the short run. Upward sessions (if any) are forecast to be only technical rebounds," Tran Xuan Bach, a stock analyst at Bao Viet Securities Co, wrote in a daily report.

Next week, the VN30's investment funds would conduct portfolio reviews for the first quarter of 2019. Blue chips in the VN30 might see unexpected fluctuations, Bach said.

"Investors could become even more cautious and hold off on investing, especially when the long holiday is coming," he added.

Foreign investors were net sellers on the Ho Chi Minh Stock Exchange after four consecutive net buying sessions. Their net sell value was modest, however, with VND27 billion.

They remained net buyers on Ha Noi's bourses, picking up shares worth nearly VND4 billion.

2. Market may keep retreating on low volumes

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) ended last Friday at 966.21 points, recording a weekly loss of 1.69 per cent.

The minor HNX-Index on the Ha Noi Stock Exchange (HNX) fell 1.70 per cent last week to finish at 105.88 points.

Trading volume on both local bourses reached average 176.2 million shares in each session of last week.

Last Friday, indexes recovered slightly on extremely low volumes. The timely recovery helped both VN-Index and HNX-Index stay above their important resistance zones. However, signals of a reversal have not yet appeared.

Market liquidity was still on a downward trend and indices were still correcting, Vu Minh Duc, Senior Manager at Research and Analysis Department of Viet Capital Securities Company (VCSC), told tinnhanhchungkhoan.vn.

"It is likely that next week, the VN-Index will decrease, heading towards the strong resistance of around 950 points," Duc said.

Amid the annual general meeting (AGM) season as well as the announcement of the first quarter business results of listed companies, there would be mixed results among stocks, especially blue-chips, Duc said.

According to former head of IVS Securities Co's analysis department Nguyen Huu Binh, recent low liquidity was mainly caused by poor market sentiment, especially individual investors who were not in a good mood and chose to either stay out of the market or offload their portfolios to earn profits.

The market is expected to face risks of a decrease this week. Upward sessions (if any) are forecast to be only technical rebounds, Bao Viet Securities said in its daily report.

"We leave open the possibility that the VN-Index will fall to the support zone of 940-950 points before a recovery," it said.

This week, VN-30's investment funds also conduct portfolio reviews for Q1, 2019. Blue-chips in VN30 basket, subsequently, may see unexpected fluctuations, the company said.

"Investors could become even more cautious and hold off on investing, especially when the long holiday is coming. The market is expected to decrease in the short run. Stock exposure, therefore, should be limited at 20-30 per cent of the portfolio," the company said.

Investors with high stock proportions should take advantage of market's recovery to lower stock exposure. Investors should hold off on buying new positions as the market is currently facing various risks, it added.

Last week, the declining trend dominated the market. Bottom purchasing activities were no longer happening regularly when the market appeared to decline with low liquidity.

The weakening of "Vingroup" stocks, especially two stocks of Vingroup (VIC) and Vinhomes (VHM), were the main reasons for negative movements of the market.

The decline of the large-caps in the food and beverage group also contributed to the fall of the overall market. Dairy firm Vinamilk and brewery firm Sabeco both recorded significant slumps.

Last week, the banking group struggled, while oil and gas stocks were under high correcting pressure. Vietinbank and Techcombank plunged. PetroVietnam Drilling Mud Joint Stock Corporation (PVC), PetroVietnam Transportation Corporation (PVT) and PetroVietnam Coating JSC (PVB) had corrected during the week but then recovered quite well during the last session of the week.

The optimistic point was that foreign investors were the net buyers of almost VND554 billion on the two stock exchanges. They net bought more than VND508 billion on the HoSE and VND45 billion on the HNX.

Macro & Policies

3. Beverage giants cannot stay out of plastic reduction trend

Giants like Starbucks, Tan Hiep Phat, and Coca-Cola, have shown the leadership required to minimise plastic waste. Recycling plastic waste and utilising environmentally friendly materials are the most common corporate initiatives.

Telling VIR about plastic reduction activities, the representative of local Tan Hiep Phat Beverage Group, said that the company's R&D department is researching new materials to replace plastic bottles. In addition, the firm has also signed contracts with suppliers to treat or recycle efective products and wasted materials.

“We have a clear process to assess suppliers, and we only sign contracts with those who can treat the garbage,” said the representative.

Having been present in Vietnam for six years, US-based coffee chain Starbucks has been carrying out numerous activities to reduce plastic rubbish. A company representative shared with VIR that since they entered Vietnam in 2013, Starbucks has been giving a VND10,000 discount for each drink to customers bringing their own glass.

In early 2019, Starbucks Vietnam partnered up with artist Von Wong, Zero Waste Saigon Organisation, and real estate company Keppel Land Vietnam to exhibit “The Parting of Plastic Sea” made from more than 160,000 used plastic straws collected from across the country.

At the same time, Starbucks Vietnam has been using recycled PET (rPET) materials for some of its packaged products like straws, knives, spoons, and others. Especially, to limit the use of plastic straws, the coffee brand has introduced strawless cups.

Most recently, as part of the global Starbucks campaign, many kinds of reused plastic straws and cups are offered in coffee stores in Vietnam at the price of VND40,000-50,000 ($1.74-2.17).

“These straws and cups will be offered throughout the year. This is also a solution to replace single-use plastic cups as well as to reduce plastic waste reaching the environment,” said the representative.

Similarly, Coca-Cola, the world-leading beverage company, has been applying many similar activities in Vietnam over the past few years.

In late 2018, Coca-Cola partnered up with the United Nations Educational, Scientific and Cultural Organisation (UNESCO) to carry out an environmental campaign on encouraging creative ideas to collect and recycle plastic rubbish. Coca-Cola also entered into co-operation with the British Council for a similar project aimed to boost social activities and raise awareness of environmental protection.

The British Council project was first applied in the Central Vietnamese city of Thua Thien Hue's EKOCENTER in last September and then broaden to the other cities and provinces.

In addition to the environmental campaign, Coca-Cola's R&D department has created diverse reuse packages and materialised activities to reduce the damage of environmental pollution.

Specifically, the beverage company set the target to cut carbon emissions during its manufacturing by using recycled materials like rPET and PlantBottle as packaging for their beverage products. Coca-Cola also set the goal of manufacturing 10 per cent of its Danasi mineral water bottles from rPET materials.

Over the past few years, plastic garbage has been a sizeable environmental concern in Vietnam. According to data published at last year's Earth Day event, about 18,000 tonnes of plastic rubbish are generated every day in Vietnam. In addition, the country currently ranks 17th out of 109 countries in plastic waste pollution, according to the World Bank's Urban Economy survey published on last October 12.

Plastic rubbish is a global obsession with more than 8 million tonnes of plastic rubbish pouring into the oceans without a sign of slowing down. It is forecast that by 2050, the ocean will have more plastic garbage than fish, according to the United Nations.

4. Pedal to the metal in auto production

Lee Jae Seung, CEO of auto parts maker PHA Vietnam, said, "Once our automotive parts manufacturing project comes online in September, our products will serve big car manufacturers like Volkswagen, BMW, Audi, Ford, and Hyundai."

PHA Vietnam is led by a group of Pyeong Hwa Automotive, YMP Plus, Dong Yang Vina Industry Co., Ltd., and MiChang Vietnam. They started construction of four automotive parts manufacturing plants with the total investment capital of $32.3 million in the northern city of Haiphong's DEEP C Industrial Zones late last year. The move aligns with the Vietnamese government's policies on promoting investment in the local supporting industries.

Gaining a competitive edge

Daniel Doni Sundjojo, business development manager at JATO Dynamics, which globally provides data for analysis of market trend vehicles and cars, said, "When we talk about the automotive sector in Southeast Asia, most people think of Indonesia, Thailand, and Malaysia. However, soon this may include Vietnam."

According to Ringier Trade Media, the organiser of the ASEAN Automotive and Motorcycle Parts Manufacturing Summit 2019 held in Hanoi recently, Vietnam is a growing automotive market and one of the four largest motorcycle markets worldwide, which reflect the enormous market potential in components and parts.

"Vietnam already has factories of the most recognisable international brands. With favourable government policies, easy investment, and access to the ASEAN, EU, and the APEC, the Vietnamese automotive industry is projected to enjoy the fastest growth in Southeast Asia in the next 20 years, which makes it the best place to invest right now," noted a representative of Ringier Trade Media.

Vingroup deputy CEO Vo Quang Hue said, "The Vietnamese automotive market is full of energy. Although motorcycles are still the vehicle of preference, the car market has been steadily growing in importance."

VinFast exploded on the scene in 2017 by announcing plans to launch the first car brand fully made in Vietnam. Through localisation, it is supporting the development of the local automotive industry and already highlights Vietnamese manufacturers' capability to deliver high-quality components for top-end vehicles.

"We are willing to pour money into the supply chain as we see opportunities," said Truong Hong Minh, director of Nhat Minh Co., Ltd., specialised in manufacturing plastic components.

Minh said that Vingroup's VinFast complex is not only good news for the automobile manufacturing industry, but also creates a strong pervasiveness for the supporting industry which is quite meagre for now.

Chening Fan, director of the Taiwan External Trade Development Council, last year said that many Taiwanese auto parts enterprises have invested in manufacturing in Vietnam, but mainly produce for exports. Currently, the enterprises are paying attention to Vietnam as well as the ASEAN's more than 600 million potential consumers. "By investing in Vietnam, automotive parts can go for local consumption and for tax-free export to the region," Fan said, referring to Vietnam's competitive wages and attractive foreign investment environment.

Chairman of the Vietnam Association for Supporting Industries Le Duong Quang said that motorcycle manufacturing in the country has reached maturity, mainly due to the high consumption and motorbikes' role as the main transport solution. Besides, limited road infrastructure and low highway rates have caused serious traffic congestions in city areas, especially in Hanoi and Ho Chi Minh City. Meanwhile, the automotive manufacturing industry is considered an emerging industry in Vietnam, entering into a phase of fast growth.

In the future, Vietnamese manufacturers will need to reduce their production and assembly costs while improving product and service quality. This provides a unique opportunity for bigger Chinese suppliers to tap into Vietnam's supply chain that was originally dominated by Japanese businesses, according to Ringier Trade Media.

Game-changing trends

The automotive industry is changing at a rapid pace and suppliers are learning to innovate in order not to get left behind. The change is putting tremendous pressure on original equipment manufacturers and automobile suppliers to evolve and innovate. Supporting this all is a strong base of digitisation.

In 2018, trends pointed to a heavier reliance on plastics, and for good reason. As plastic formulations and technology develop, its application in the automotive industry expands.

Vehicle interiors may be the most visible place of use, and manufacturers are increasingly turning to plastics for car parts. The corrosion resistance of modern plastics makes them ideal raw material for a number of car parts as they help reduce the weight of the vehicle.

Plastics are also more weather-resistant than metal components. However, metalworking remains vital in automotive and motorcycle parts production. The global metalworking tools market is predicted to exceed $120 billion by 2020, growing at a compound annual growth rate of 6 per cent, and a large portion of this growth will take place in Asia, according to Technavio, a global market research firm.

The signs of manufacturing growth in the ASEAN bloc indicate a related increase in the orders and purchases of metalworking tools, which will raise the demand for high-end manufacturing equipment.

Industry 4.0 and the Internet of Things are key trends and will have a profound influence on automotive and motorcycle parts manufacturing. Sensors are becoming smaller and easier to install in all kinds of products. Smart tooling and workholding will provide real-time feedback. Automotive and motorcycle companies will look to transform their plants into smart factories, and will require all equipment and tooling to be Industry 4.0-capable.

5. Rearranging retail via M&A

According to market research provider Euromonitor, mergers and acquisitions (M&A) continue to feature prominently in the retail market. In 2017 and 2018, Vietnamese retailing continued to become more consolidated as local players acquired smaller companies to expand their network and increase their share.

During this time, Mobile World JSC completed its acquisition of pharmacy chain Phuc An Khang, and the country's leading private conglomerate Vingroup took on both electronics and appliance specialist Vien Thong A, and supermarket chain Fivimart. In addition, VinCommerce, the retail arm of Vingroup, recently also made a big splash by acquiring 87 Shop & Go convenience stores for the nominal sum of $1. These activities have quickly cemented the leading status of the key players, while eliminating smaller groups from the competition.

M&A activities are expected to continue at pace. Besides achieving outlet expansion, key players also look at these activities as a quick way to enter a new category.

According to Richard Burrage, managing partner of consumer market research company Cimigo, local retailers have the edge in expanding their reach via M&A. “They are closer to local consumers, far more agile, and less afraid to fail, quickly learning and moving forward,” said Burrage. “This agile iteration enables them to move at a speed that is far superior to foreign retailers.”

He further noted that local groups will continue to dominate the retail market. “Looking at Vingroup's retail brands, they can use new additions like Fivimart and Shop & Go to drive margin and eventual profitability. Bach Hoa Xanh retail chain, incorporated by Mobile World, accounts for 46 per cent of modern self-service outlets in 2018 with 218 new outlets opened,” he said. “They are yet to be profitable, but I imagine they are learning fast. Saigon Co.op has been testing new formats such as Co.op Smile. These operators will continue to dominate in this space.”

Meanwhile, it will take deep investment and a very long-term view for foreign retailers to succeed in Vietnam's retail market, according to Burrage. “Companies like AEON, Central Group, and BerliJucker Corporation have already experienced this. However, I doubt they will dominate Vietnam's retail landscape. They were initially highly restricted in the number and size of stores they could operate.”

Over the past few years, Vietnam has also witnessed several deals by foreign retailers such as BerliJucker's purchase of Metro Cash & Carry Vietnam, and Central Group's buyouts of Nguyen Kim and Big C.

Truong Thanh Duc, chairman of Vietnamese law firm Basico, attributed the rise of M&A to the fast-paced development of the retail market. “As the size of the market is expanding, there will be more entrants. Inevitably, small retailers will be eliminated and M&A is one of the strategies for those small companies to withdraw from the market,” said Duc.

In 2017, around 44 per cent of the total value of M&A activities derived from the consumer goods and retail sector, which indicates an area that remains attractive to investors. Last year, the consumer goods and retail sector continued to lead the 2018 M&A market, according to Baker McKenzie Vietnam.

Data by Euromonitor shows that Vietnam's supermarket market size was valued at VND50.87 trillion ($2.21 billion) in 2018. Meanwhile, the market size of convenience stores has nearly doubled in the past few years, from VND1.96 trillion ($85.2 million) in 2015 to VND3.72 trillion ($161.7 million) last year.

This segment is getting crowded, with the US' Circle K increasing its outlets from 246 to 293 between 2017 and 2018. Japan's Ministop expanded its footprint from 84 to 112 outlets in the same period.

Meanwhile, Japanese chain FamilyMart ran 126 convenience stores in 2016 and 168 stores in 2017 before dropping eight stores last year. B's Mart also cut the number of outlets from 159 to 143, while Shop & Go went from 121 stores in 2017 to only 95 in 2018.

When selling its business to Vingroup, a representative of Shop & Go commented that the company had heavily invested in the chain, but business results have not turned out as expected.

“Vietnam's retail market is promising but competition is stiffer so we decided to pull out of the market,” he said. “It is clear that the competitive landscape is intense, with losses high and risks great.”

Cimigo has maintained for the past four years that convenience stores have been strongly competing against independent grocery stores, but offering no greater convenience.

“Convenience stores will reduce in number and online shopping platforms will play a far stronger role,” said Burrage.

The fusion of offline and online shopping, for instance, is gaining prominence. With a $13.7

billion acquisition of Whole Foods, Amazon has proven that it is always trying to stay ahead of the curve. The tech giant now comes to possess a chain of 450 stores across 42 US states, thus branching out a physical presence and opening itself up to vast blue oceans of opportunities.

Nguyen Huy Hoang, director of market research firm Kantar Worldpanel, said, "The retail landscape is being revamped with the rising omnichannel trend, prompting retailers to improve themselves to satisfy consumers by offering a shopping experience whenever and wherever.".

6. Confusion over proposal to install taxi sign on ride-hailing cars

The Ministry of Transport (MoT) has recently submitted to the government the latest draft decree replacing Decree No.86/2014/ND-CP on business and conditions for automobile transportation. Accordingly, the MoT maintains its proposal that electronic contract-based vehicles using ride-hailing platforms like Grab, Go-Viet, and Be must put 'taxi signs' on the top of their vehicles.

However, the proposal has caused a lot of confusion among drivers and consumers over the future of ride-hailing services in Vietnam.

Nguyen Phuong Hien, who has been working as a Grab driver for two years, told VIR that if the proposal goes through, drivers will be required to purchase taxi signs, taxi roof lights, taximeters, and taxi POS systems. Drivers will also need to pay for the maintenance of these devices. All of these additional fees will increase operating costs for both ride-hailing platforms and drivers.

Hien said that the additional fees will lead to a significant drop in drivers' income so more driver partners might quit the platforms.

"Meanwhile, customers will see higher fares on the back of the new regulations. Customers will not only shoulder a considerable portion of the new costs, but will also find it more difficult to get a ride as drivers depart from the platforms. This is definitely a step backward just to regulate ride-hailing firms," he added.

Another ride-hailing driver Tran Anh Tuan said that drivers will struggle to meet the new requirements as many of them took up loans to finance their ride-hailing business. Freelance drivers might pull out of the ride-hailing platforms due to lower incomes, which will increase unemployment rates and so indirectly impact the country's economic growth, state budget, and social wellbeing.

He added that fares will definitely increase to compensate for the shortage of drivers. Commuters will not be able to fully enjoy the benefits of ride-hailing services like competitive prices and shorter travelling time. The regulatory changes might restrict the benefits that disruptive technology and businesses bring to both drivers and consumers.

Nguyen Thanh Tam, a passenger in Ho Chi Minh City, said that ride-hailing services improved the lives of commuters in significant ways through technology – from transparency in pricing, convenience, and comfort to safety. Thus, it is unnecessary to require ride-hailing vehicles to install taxi plates and roof lights like traditional taxis as customers have access to all information of drivers such as their name, photo, and license plate number through the apps.

Another passenger, Le Thanh Ngoc, said that ride-hailing services are making a difference by lowering the number of empty vehicles on the road and improving traffic flow in large cities across Vietnam. The fares will rise as the businesses are required to install taxi signs and are classified as traditional firms. As a result, more daily passengers will switch to using personal vehicles. The growing number of private vehicles on the road will lead to congestions and put pressure on the infrastructure.

Industry insiders warned that the implementation of new regulations will reduce Vietnam's efforts to drive innovation in the 4.0 era. Technology is expected to lower cumbersome procedures and unnecessary costs while helping save time and money for consumers. Thus, forcing disruptive businesses like Grab to fit an outdated legislative framework will slow down innovation.

Julien Brun, managing partner of CEL Consulting, said that the battle between traditional taxi companies and platforms like Grab is not unique to Vietnam. Many other countries including the United States, where the model was developed first through Uber, had to resolve this legislative ambiguity.

The underlying trade-off behind such a decision is finding a way to ensure that traditional taxi companies maintain a decent level of activity while allowing other companies to innovate in order to offer better value for money to consumers.

From a consumer's standpoint, the outcome of taking a traditional taxi, a Grab or a GoViet ride is the same. You get where you wanted to go for a certain fee. Thus, regardless of the business models of these companies, they have the same mission, address the same market, and thus can be considered as competitors and should follow the same "fair competition" rules, in theory.

"Whether these fair competition rules are clear enough is the question. If they are not clear enough in the law as it exists today, then penalising a company for not following unclear rules will set a precedent that could impede the trust of companies about their chances of being successful in the Vietnamese market," he added.

7. $450 million Phu My 3 power plant celebrates 15-year anniversary

The $450 million Phu My 3 power plant is currently owned by three partners, including SembCorp Utilities from Singapore as well as Kyushu Electric Co. and Sojitz Corp. from Japan (66.67, 26.66, and 6.67 per cent).

On its 15th anniversary held on April 12, Phu My 3 BOT Power Co., Ltd. received the first-class Labour Medal.

According to Do Ba Canh, general director of Phu My 3 BOT Power Co,. Ltd., the medal marks a very important event in the course of the company's operation and development in Vietnam.

"We are pleased and proud that the efforts of all our staff and workers were recognised by the government," Canh said.

To meet Vietnam's increasing power demand, Phu My 3 BOT Power Co., Ltd. has been constantly looking for ways to maintain maximum capacity and enhance the plant's stability in order to secure the national power supply and develop the Vietnamese gas industry.

The company has attached special importance to safety management, labour hygiene, and environmental protection.

To ensure the continuous operation of the plant,the main fuel used to operate Phu My 3 is natural gas from Nam Con Son Pipeline. Diesel oil, as alternative fuel, is reserved to ensure continuous power generation in case shortage.

Corporate News

8. AAA: Resolution on the AGM 2019

↑ 1.40%

On April 16, 2019, An Phat Plastic and Green Environment Joint Stock Company announces the resolution of Annual General Meeting 2019 as follows:

File Attachment

20190419_AAA-190419-Resolution-on-the-AGM-2019--PV.pdf

9. DXG: Change of regulations of ESOP 2017

↑ 4.27%

On April 12, 2019, the State Securities Commission announced that it had received the document on the change of regulations of ESOP 2017 by Dat Xanh Group Joint Stock Company. Accordingly, the change of regulations will be implemented according to the resolution of Annual General Meeting 2019 and signed between the Company and its staff under the enterprise laws.

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