VIETNAM DAILY NEWS

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Market Analysis

1. Seafood, textile stocks soar thanks to good business performance

Concerning the fisheries industry, pangasius processing companies saw prosperous business results over the past year. Shares of Cuu Long Fish Joint Stock Company (ACL) were traded at around VND10,000 (US$0.43) per share in April, 2018. Closing the trading session of April 10 this year, ACL reached VND39,550 per share, up nearly four times after a year.

In 2018, ACL collected post-tax profit of VND230 billion, about 11 times higher than 2017. The company also exceeded 320 per cent of the 2018 profit plan.

Vinh Hoan Corporation's shares (VHC) started to climb in the second quarter of 2018 when its quarterly profit doubled compared to the same period of the previous year.

In the following quarters of 2018, VHC also achieved impressive profit results. Therefore, the price of VHC shares soared from VND50,000 per share in early 2018 to VND110,000 per share on November 23, 2018. On Friday, VHC shares were priced at VND89,800 per share. VHC is currently leading the market in export value of pangasius, reaching $378 million in 2018, up 26 per cent year-on-year. In 2018, VHC reported post-tax profit of VND1.4 trillion, up strongly by 138.5 per cent year-on-year.

Similarly, in the past year, shares of another pangasius processor, Nam Viet Corporation (ANV), also rose from VND15,000 per share in August, 2017 to VND30,000 per share at present, equivalent to an increase of nearly 100 per cent. In 2018, ANV reported after-tax profit of over VND600 billion, up 4.2 times compared to 2017.

The company with the most impressive business performance was Camimex Group JSC (CMX), a shrimp producer. CMX shares shot up from around VND5,000 per share in mid-August 2018 to around VND24,500 currently. In 2018, CMX reported after-tax profit of VND78 billion, an increase of 192 per cent compared to 2017. In 2019, CMX also set an after-tax profit target of VND199 billion, a 155 per cent increase compared to 2018.

Shrimp stocks also received a boost from news that the US has exempted anti-dumping tariffs for shrimp exporters of Viet Nam, announced on April 10. Right after the information was released, the seafood stocks rocketed up.

Textile no less competitive

In the context of the escalating US-China trade war, signed free trade agreements have brought about expectations of more orders, the textile industry will benefit greatly. Business results of many companies in the industry recorded growth in 2018, leading to the upswing of textile stocks.

Shares of TNG Investment and Trading JSC (TNG) climbed from VND10,000 per share in early 2018 to reach VND23,100 per share currently, equivalent to a hike of more than 100 per cent. At the end of 2018, TNG achieved post-tax profit of VND180 billion, up by 60 per cent year-on-year.

Another textile and garment stock seeing gains was Thanh Cong Textile Garment Investment Trading Joint Stock Company.

In the second half of 2018, TCM shares had an impressive increase from the bottom of VND15,950 per share to VND23,000 per share. In October 2018, TCM reached its peak over the last two years of VND30,000 per share. At the end of 2018, TCM achieved profit of VND260.4 billion, 1.3 times higher than the same period in 2017.

On Friday, TCM was traded at VND31,550 per share, surpassing the old peak in 2018.

Shares of Saigon Garmex Manufacturing Trade Joint Stock Company (GMC) also increased sharply from VND25,000 at the beginning of 2018 to VND50,000 per share in early this year. GMC collected profit of VND135 billion in 2018, doubling that of 2017.

2. VN stocks recover, risks still exist

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) gained 0.58 per cent to close Friday at 952.55 points.

The VN-Index lost total 2.22 per cent this week. It had fallen total 3.33 per cent since the last trading day of April on April 26.

The Vietnamese stock market reacted positively to the growth of Chinese stocks on Friday after domestic funds in China bought in local assets to cushion the market.

A similar scenario also occurred in Viet Nam as investors looked for financial and banking stocks, which had been hit hard since the market re-opened on May 2.

Data on vietstock.vn showed shares of securities firms and banks made the biggest gains.

The two sector indices increased by 1.5 per cent and 0.8 per cent.

Leading the brokerage industry were VietCapital Securities (VCI), Agribank Securities (AGR) and SSI Securities Inc (SSI).

The four firms' shares rose between 1.2 per cent and 5 per cent.

VCI had lost total 17.5 per cent since April 19. SSI had declined by 5 per cent in the previous four days.

TPBank (TPB) jumped 4.7 per cent, Bank for Investment and Development of Vietnam (BID) gained 2.9 per cent, and HDBank (HDB) increased by 1.7 per cent.

The market was also supported by petroleum stocks as oil prices were boosted by tight global supply outlook despite the rise of the US-China trade tension.

PetroVietnam Gas (GAS) added 1.2 per cent and PetroVietnam Drilling and Well Services (PVD) advanced 2.3 per cent.

According to Thanh Cong Securities JSC (TCSC), Friday's gain does not mean the market has made its consolidation and finished its correction period.

Low trading liquidity and net foreign selling are the two challenges for the market, TCSC said.

More than 114.6 million shares were exchanged on HoSE through order-matching transactions, worth nearly VND2.32 trillion.

The figures were quite low compared to the average of the last 20 trading days.

Foreign investors net-sold VND219.4 billion worth of HoSE-listed stocks. They net-sold nearly VND556 billion in total after four trading days.

"It's too early to talk about a market reversal at the moment," Viet Dragon Securities (VDSC) said in a note. "It is more likely a bull trap."

On the Ha Noi Stock Exchange, the HNX-Index was up 0.57 per cent to end at 105.86 points.

The northern market index decreased by 0.61 per cent on Thursday.

More than 33.5 million shares were traded on the northern market, worth VND432.3 billion.

Macro & Policies

3. Fair treatment deemed boost to private firms

Despite being an essential part of the Vietnamese economy, local private sector has enjoyed only modest development, frequently falling short of expectations. Experts and businesspeople have blamed this on headwinds from the domestic business climate.

Dr. Bui Quang Tuan, head of the Vietnam Institute of Economics, said an array of inadequacies and shortcomings have hindered economic development, whilst the room to boost the existing growth model has been depleting.

Tuan urged concerted efforts into fostering economic restructuring and shifting the model from wide-scale growth to in-depth one, thus helping to better competitive edges for private firms and give a fresh impetus to the sector's overall development.

Addressing the Vietnam Private Sector Economic Forum 2019 last week in Hanoi, Nguyen Thanh Ha, chairwoman of the budget carrier Vietjet Air, suggested that the Government and the Ministry of Transport should give additional priority to the planning of local infrastructure projects, especially airports and railways, as well as create more favorable conditions for competent private firms to take part in such projects.

Ha said that private firms want to receive equal treatment from state management agencies in order to help them fully tap into their capacity and advantages.

With the aim of further boosting agricultural development, Thai Huong, Chairwoman of the TH Group, called for greater efforts to carry out pilot schemes on developing high value agro-aquatic products which are likely to meet increasingly stringent requirements of importers.

In order to realize the schemes, she underscored the need to make insightful analysis of both target markets and product categories. This preparation should be coupled by the restructuring of local agricultural production and the development of specialized product chains for overseas markets, most notably fresh milk to the Chinese market and shrimp for the US, Canada, and the EU.

The TH chairwoman stressed the identification of top agricultural firms as a must to put forth mechanisms and policies aimed at leveraging their development.

Vu Thi Van Phuong, Chairwoman of VietRAP Investment JSC, said agricultural firms reportedly face various difficulties in accessing commercial loans while exposing themselves to various risks from extreme weather, climate change, and fluctuations in sales and distribution networks.

Hences, they must struggle to mobilize capital from other sources, Phuong said, adding this puts them at a distinct disadvantage.

4. Healthcare sector promising for private investment

According to the Finance Ministry's Department of Public Expenditure, society's total spending on healthcare compared to gross domestic product has been increasing. Since 2008, the State budget's spending on healthcare has risen at a faster pace than the budget's overall spending growth rate, reaching about 7 – 8 percent of total State expenditure.

In Vietnam, private medical establishments have been developing strongly in recent years. While there were no private hospitals before 1993, the number of such facilities has reached 206 at present. More than 35,000 private clinics have also been opened nationwide.

Dilshaad Ali, an advisor of DG Medical – a healthcare solution providing company, noted several important factors making Vietnam's healthcare sector attractive to investors, including an aging population, fast economic growth, changing lifestyles, and rising demand for health insurance.

He added as the middle class is flourishing, people have also increased their spending, leading to the mushrooming of private medical establishments in big cities.

More than 80 percent of Vietnam's population is covered by health insurance and five percent have private health insurance. Meanwhile, 73 percent of the population pay hospital fees in cash. Notably, the healthcare public-private partnership model is still in the initial stages.

These factors contribute to investors' interest in Vietnam's healthcare market, Ali said.

Other experts said apart from soaring demand for high-end services, the State's plan to divest capital from many big pharmaceutical firms has also encouraged private investment.

The recent wave of private investment in the healthcare sector began in 2015 with several mergers and acquisitions (M&As). Recently, the Hoan My Medical Corporation has performed multiple M&As to expand its network, the Nha khoa My group has merged into the Sun Medical Centre, and Japan's Taisho Pharmaceutical Co. Ltd has spent an additional 3.4 trillion VND (145.8 million USD) to buy almost 67 percent of DHG Pharmaceutical JSC – the biggest pharmaceutical company in Vietnam.

Deputy Director of Ho Chi Minh City's Department of Health Tang Chi Thuong admitted that the State-owned system hasn't been able to meet rising demand for healthcare.

He noted in 2018, there were more than 45.3 million outpatient visits and 2.5 million inpatient stays in medical facilities in HCM City, and these figures are still growing, worsening overloading at central hospitals.

Echoing the view, Secretary General of the HCM City Society for Reproductive Medicine Ho Manh Tuong said the ongoing outflow of Vietnamese people to other countries to receive treatment shows the local healthcare system hasn't kept up with demand.

As the city lacks funds for public medical services, it is necessary to issues policies encouraging private investment, he added.

5. Digital industry to contribute a quarter of Vietnam's GDP by 2025

The project, designed by the Ministry of Information and Communications, is opened for public feedback before being submitted to Prime Minister Nguyen Xuan Phuc.

It consists of three phases, implemented between 2019 and 2030. The first phase (2019 – 2020) will focus on digitisation in socio-economic areas to boost productivity, create new development sources, build relevant infrastructure and legal framework and provide guidance for enterprises on digital transition.

The second phase (2021 – 2025) aims to turn digitisation into a part of the national competitiveness. During the period, digital transition will take place across sectors, particularly in updating business models to apply digital platforms and ecosystems and in forming value chains.

The third phase (2026 – 2030) targets a comprehensive digital-based society and economy, with new digital industries formed. Significant support will be funneled into technological fields like artificial intelligence (AI), Big Data, and Internet of Things.

Minister of Information and Communications Nguyen Manh Hung said Vietnam will announce its national digital transition strategy this year.

Affordable smartphones and mobile data plans have driven recent growth of internet usage in Vietnam. The country has about 64 million internet users (approximately 67 percent of the population), placing it among the top 20 countries with the highest internet penetration.

Meanwhile, more and more businesses have applied digital technology to production, business activities and management, which is reflected in the rapidly increasing rate of new technologies such as cloud computing, AI and automation.

A survey of about 5,000 businesses in Vietnam conducted by the Vietnam E-Commerce Association revealed that 43 percent of enterprises used websites, 32 percent used social networks and 15 percent used mobile applications to sell their products in 2018.

6. Fitch revises Vietnam's outlook to positive

The revision reflects an improving track record of the Government's economic management, which is evident in strengthening external buffers from persistent current account surpluses, falling debt levels to high economic growth rate and stable inflation.

Fitch said that the Vietnamese Government's continued commitment to containing debt levels led to a decline in general government debt to 50.5 percent of GDP in 2018 from a peak of 53 percent in 2016. It expects the ratio to decline further to around 46 percent by 2020.

Meanwhile, the public debt (general government debt including guarantees) has dropped to around 58 percent of GDP by the end of 2018 after being close to the ceiling of 65 percent in 2016.

The decline has been facilitated by a reduction in outstanding government guarantees to around 8 percent of GDP by the end of 2018 from 9.1 percent in the end of 2017. Besides, it has been aided by stable receipts from privatisation of state-owned enterprises, high nominal GDP growth and lower fiscal deficits.

Thanks to policies to stabilise the macroeconomy, GDP growth improved to 7.1 percent in 2018 from 6.8 percent in 2017 while inflation rate remained stable at 3.5 percent.

Fitch forecast Vietnam's GDP growth at around 6.7 percent in 2019, still within the National Assembly's target of between 6.6-6.8 percent.

It said that Vietnam's economic growth is likely to be affected by slowing global growth and the US-China trade tensions. Vietnam would nevertheless remain among the fastest-growing economies in the Asia-Pacific as well as those in the "BB" rating category globally.

Last month, Standard and Poor's (S&P) Global Ratings raised its long-term sovereign credit rating for Vietnam to "BB" from "BB-", which is expected to help the country attract more foreign investments into the economy and expand exports. This was the first time S&P upgraded Vietnam's credit rating since December 2010.

7. Vietnam may be added to expanded U.S. list on currency manipulation: Bloomberg

Citing people familiar with the matter, Bloomberg said the number of countries on the watch list will rise to about 20 from 12 in the previous report issued in October.

Vietnam may be named a currency manipulator for artificially holding down the value of its currency, the dong, while India and South Korea are expected to be dropped from the watch list, it said.

In October, the U.S. Treasury refrained from naming China or any other trade partner as a currency manipulator as it relied on import tariffs to cut a trade deficit with China.

Bloomberg said the Treasury had so far examined the United States' 12 largest trade partners and Switzerland for the upcoming report.

"An expanded watch list could include Russia, Thailand, Indonesia, Vietnam, Ireland or Malaysia, all of which have large trade surpluses with the U.S.," it said.

Bloomberg said the number of countries on the list would increase after the U.S. Treasury Department reduced one of the three criteria it uses to determine manipulators: a current account surplus of 2 percent of gross domestic product, instead of 3 percent.

Corporate News

8. CSM: Resolution on the AGM 2019

↓ -1.01%

On April 25, 2019, The Southern Rubber Industry Joint Stock Company announces the resolution of the Annual General Meeting 2019 as follows:

File Attachment

20190510_CSM-190510-Resolution-on-the-AGM-2019--PV.pdf

9. BHN: Resolution on the AGM 2019

↑ 0.83%

On April 25, 2019, Hanoi Beer Alcohol and Beverage Joint Stock Corporation announces the resolution of the Annual General Meeting 2019 as follows:

File Attachment

20190510_BHN-190510-Resolution-on-the-AGM-2019--PV.pdf

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