



# VIETNAM DAILY NEWS



May 20<sup>th</sup>, 2019

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## Market Analysis

### 1. Oil stocks lift domestic market

The benchmark VN-Index on the Ho Chi Minh Stock Exchange inched up 0.08 per cent to end at 976.48 points.

More than 135 million shares were traded on the southern bourse, worth VND3.1 trillion (US\$136 million).

The index inched up 0.01 per cent on Thursday to end at 975.69 points.

The large-cap VN30-Index slumped 0.16 per cent to stand at 890.53 points with 14 stocks out of the 30 largest by market capitalisation losing value.

Insurance, securities, oil and gas, logistics and construction were among the best-performing industries.

Their indices rose by between 0.04 and 0.94 per cent, data on vietstock.vn showed.

The oil and gas sector had a good session to support the overall market. Gainers in the group included PetroVietnam Gas JSC (GAS), PetroVietnam Drilling and Well Services Corporation (PVD), PetroVietnam Technical Services Corporation (PVS).

Stocks contributing to the upward momentum including brewery Sabeco (SAB), FLC Faros Construction Joint Stock Company (ROS), PetroVietnam Power Corporation (POW), Viet Nam National Petroleum Group (PLX) and Tien Phong Bank (TPB).

On the opposite side, real estate, banking, food and beverage, agriculture and construction materials were among the falling sectors.

On the Ha Noi Stock Exchange, the HNX-Index decreased by 0.28 per cent to close at 105.79 points.

Nearly 35 million shares were traded on the northern bourse, worth VND392 billion.

The index edged down 0.32 per cent to 106.09 points on Thursday.

Foreign investors changed course after four straight net-selling sessions this week.

They net-bought a total of VND9.87 billion on the HOSE, focusing on VRE (VND39.06 billion), SSI (VND16.04 billion) and PLX (VND7.51 billion). However, they sold a net value of VND15.61 billion on the HNX.

According to Bao Viet Securities Company, the market is expected to maintain its rally and rise to the resistance zone of 980-983 points early next week before experiencing larger fluctuations toward the weekend.

The market needs to quickly pass this zone to head toward a stronger resistance zone at 993-1,000 points, BVSC said. However, if the market does not pass the 980-983 point zone quickly enough, supply pressure may rebound and cause market losses.

“As the market has not been able to pass the 980-983-point resistance zone, we leave open the possibility that the market's recent gains are only technical,” BVSC said in its daily report.

Stock exposure, therefore, should be limited at 35 to 45 per cent of the portfolio. As the market has diverged wildly among stock groups, investors should consider carefully before buying.

## 2. Securities companies begin brokerage war as Govt scraps minimum rate

It has kept the maximum commission rate unchanged for buying/selling securities at 0.5 per cent. But what it has done is to scrap the minimum rate of 0.15 per cent fixed in 2016.

Analysts said this has set the cat among the pigeons, with securities companies immediately slashing brokerage rates, some even cutting them to zero.

Viet Nam Construction Securities Joint Stock Company deputy director Do Bao Ngoc said securities companies including his had decided to reduce fees because the market's liquidity was quite low and this was one way to attract.

The analysts said this decision to reduce brokerage would surely affect securities companies' revenues since these fees account for a lion's share for many.

Sai Gon Thuong Tin Securities Joint Stock Company, for example, told its annual general meeting this year that in 2018 brokerage had still been its main source of revenue.

Of its VND90 billion turnover last year, 80 per cent or VND74 billion had come from brokerage and interest on margin lending.

Trinh Hoai Giang, deputy general director of Ho Chi Minh City Securities Corporation (HSC), said the trend of securities companies cutting brokerage poses a big challenge to his company because it remains the biggest source of revenue.

His company does not plan to join the rate-cutting war but would instead focus on improving the quality of service to attract clients, he said.

A spokesman for the Sai Gon Securities Joint Stock Company said this year there is likely to be intense competition among securities companies over service fees and technology including the use of AI.

Foreign currency lending weakens dong against the dollar

On May 8 (Wednesday) the dong continued to slide against the US dollar, going beyond the lowest rate it ever recorded on April 24.

The State Bank of Viet Nam once again raised the reference price to VND23,046, down from VND23,030 the previous day by nearly VND50 from a month ago.

Since the beginning of this year, the Vietnamese currency has lost VND212 against the greenback, or 0.9 per cent.

Commercial banks also updated their rates on Wednesday morning, depreciating the dong by VND50-80, which was significantly higher than the black market rate.

State-owned Vietcombank sold the dollar at VND23,395, up from VND23,300 on Monday (May 6).

Vietinbank, one of Viet Nam's three biggest banks, sold it at VND23,362 and Techcombank at VND23,395.

Smaller lenders such as Sacombank and Eximbank pushed up the rate of the greenback to VND23,398 and VND23,410, VND88 and VND100 up from Monday.

On the street, the dollar gained VND100 in a single day.

Analysts said the greenback has been steadily rising against the dong for the last two weeks.

Why?

Analysts said one of the main reasons was the strong increase in foreign currency lending by banks following the issue of a new circular by the State Bank of Viet Nam.

The central bank's Circular No.42/2018/TT-NHNN allows credit institutions including foreign banks to provide loans in foreign currencies to some borrowers this year instead of prohibiting it as planned earlier.

It permitted lenders, until March 31 this year, to provide short-term foreign currency loans to importers of goods and services and exporters to import inputs only.

They can also provide medium- and long-term loans to pay for imports of goods and services until September 30, 2019.

This has sharply pushed up foreign-currency credit growth.

According to the SBV, by mid-April growth for the year topped 7.6 per cent.

It was much higher than credit expansion in the dong of only 2.9 per cent.

Foreign currency loans grew particularly rapidly at State-owned banks such as Vietcombank (10.7 per cent), BIDV (12.8 per cent) and Vietinbank (11.4 per cent).

Explaining this, analysts said both lenders and borrowers have preferred foreign currencies.

Borrowers prefer loans in dollars since interest rates are lower than on dong loans. Banks lent at 2.8-4.7 per cent in case of short-term loans and 4.5-6 per cent in case of medium- and long-term loans.

On dong loans they are 6-9 per cent and 9-11 per cent.

Banks have preferred foreign currency lending since interest rates on foreign currency deposits remain zero.

But with the strong growth in these loans, banks have had to further mobilise foreign currencies, even having to buy them to meet borrowers' demand.

Analysts said this increased demand has caused the dollar to strengthen against the *dong*.

This has been compounded by the country's worsening balance of trade as Viet Nam posted a deficit of \$770 million in April compared with a surplus of \$1.63 billion in March.

They said the central bank has in recent years adopted a number of policies to reduce foreign currency lending as a ratio of total loans to prevent the dollarisation of the market.

However, they said, it is vital that policymakers take measures to reduce the interest rates on dong loans to more reasonable levels to encourage companies to borrow in the Vietnamese currency instead of foreign currencies to ensure forex stability.

They also said companies should seek cheap sources of capital by issuing shares and bonds and using trade financing from international institutions instead of depending on bank credit.

## Macro & Policies

### 3. HCM City dept fosters growth of science and technology businesses

During a conference held by the department on Friday in HCM City, Chu Ba Long, deputy head of the Technology Management and Technology Market unit under the department, said the department was helping businesses in research and technology development, focusing on socio-economic development.

It is also helping them improve their technologies and products, and assisting them in working with scientific and technological organisations.

The department offers support to start-ups, fostering incubation and adoption of technologies, and organises exhibitions, scientific and technological transfer conferences, and business networks.

Pham Duc Hoa, representative of the HCM City Department of Taxation, said that in February the government enacted a decree to simplify administrative procedures required to form a business related to science and technology.

Income from business activities related to scientific and technological discoveries has low or no income tax. Hi-tech businesses also enjoy a business income tax rate of 10 per cent for 15 years from the time they start earning revenue from activities related to scientific technology.

Tran Tuu, general director of Savi Pharmaceutical Joint Stock Company, one of the first businesses in

HCM City to be formally recognised as a scientific and technological business, said the company regularly invests in high-quality modern facilities and equipment as well as a trained workforce and scientific research.

During the conference, the department also announced the establishment of a Scientific and Technology Business Club to facilitate networking, exchanges about experiences, and technology transfer.

Its board of chairman includes six members from formally recognised scientific and technology businesses.

Nguyen Khac Thanh, deputy director of the department, said that businesses struggling with being formally recognised or taking part in supportive policies would be helped by the department.

"Although the department can help companies develop, businesses themselves need to be proactive and innovative, and take part in networking events," he added.

The city has around 74 recognised science and technology businesses out of around 200 nationwide.

### 4. Logistics sector grapples with poor infrastructure

"Viet Nam has the ability to develop its logistics sector thanks to its dynamic import and export activities," Hai said. "With its central position in Southeast Asia and more than 3,000 kilometres of coastline, Viet Nam could serve as a stopover destination for shipping firms from other countries in the region and the world."

He added that the logistics sector in Viet Nam has seen rapid development in recent years with yearly growth rates of 13 to 15 per cent.

"Poor roadway and aviation infrastructure has been one of biggest challenges for the sector despite improvements in recent years," he said.

In addition, the competitiveness of logistics firms was still weak. According to Viet Nam Logistics

Association (VLA), the country has around 4,000 businesses operating in the sector. However, most of them are small- and medium-sized enterprises.

Logistics firms also lack a high-quality workforce because there is inadequate education and training in this space, he said.

VLA's deputy general secretary Nguyen Tuong said that in addition to completing policies for the sector, ministries should work to improve infrastructure.

To attract investment, Tuong said firms should work to improve services and lower costs.

Some logistics firms have decided to make big investments in infrastructure to help the sector reach its potential.

For example, Sao Do Group invested in building the South Dinh Vu Industrial Zone (IZ) and Port complex in the northern port city of Hai Phong.

Nguyen Thanh Phuong, the group's general director, demand for transport services for goods, especially sea transport, has been on the rise in recent years.

The group has been investing in seaports and other infrastructure to meet demand. Its South

Dinh Vu complex has a total area of 1,329ha with a seaport and logistics area, a non-tariff area, a petroleum port and a liquid cargo area.

The complex is considered an important part of the logistics chain of the marine economic corridor of Hai Phong - Ha Noi - Quang Ninh. The South Dinh Vu seaport has received some 200 vessels from Japan, South Korea, Singapore, Hong Kong and China with total cargo volume of around 200,000 TEU since it opened last February.

Dinh Duy Linh, general director of Hateco Group, suggested some of the sector's difficulties could be solved with warehouses that make use of modern technology. Its Hateco logistics centre applies Industry 4.0 technologies to reduce costs.

Hateco Logistics has supplied services to big partners such as Lazada Express, Shopee, DHL, Giao Hang Nhanh, Ninja Van, Truong Hai Auto and VN Post.

Piyush Rathore, general director of Transworld QBV ICD Company, said the logistics market in the country's southern region had been saturated. Meanwhile, the northern market was expected to continue to grow thanks to its favourable location near the Chinese border.

## 5. Sharing mechanism needed for fintech development

According to Nguyen Thanh Binh, acting discipline lead at the economics and finance department of RMIT University, the existing legal framework is unclear and does not cover the development and penetration of new technological products in Viet Nam.

The Government needed to develop a regulatory sandbox – a space where new financial technology products are developed and tested – to reassure customers, Binh told reporters.

A regulatory sandbox would help Vietnamese fintech companies and start-up businesses hasten their development, he said.

The fintech sector has a lot of potential to change the country's banking-finance industry, according to Binh.

Fintech companies will introduce new technological finance instruments that help customers secure loans, pay debts and carry out transactions.

With a population of nearly 100 million, most of whom are young and technologically savvy, Viet Nam is a worthwhile market for fintech companies.

Another problem for the Vietnamese fintech sector was the lack of co-operation between commercial banks, Nguyen The Hien, sales

director at the HCM City-based telecommunications firm VHT, told Viet Nam News.

The problem among banks was that they do not share the customer data with application developers, he said.

“Customers are not allowed to connect their different bank accounts to one application, so they have to use different applications for different bank accounts,” Hien said.

As telecommunication has become more important to connect banks and customers, commercial banks should work together to allow customers use different bank accounts in the same application, he said.

“But that would raise concerns about data security and there needs to be stricter rules for this issue,” he warned.

In addition, Vietnamese fintech firms should be allowed to take part in a sandbox where they can develop and test their ideas, he said.

“As technology changes rapidly, the sandbox will help local tech firms operate more easily and the Government improve its control over new technologies,” said Hien.

“Any tech firms that are incapable of producing and testing their own technologies will be removed from the sandbox, so it would improve the Government's supervision over the Vietnamese technology industry,” Hien said.

The seminar was organised by the Israeli Export Institute and the Israeli Ministry of Economy and Industry's Foreign Trade Administration.

## 6. Vietnamese firms strive to increase apparel exports to Canada

General Director of the Viet Nam National Textile and Garment Group (Vinatex) Le Tien Truong delivered this statement during a workshop held in the Canadian city of Montreal on Thursday.

The event was organised as part of a trip by officials of Vinatex and its five member companies to Canada to promote their textile and garment exports to the nation. It also attracted representatives of 35 Canadian enterprises.

According to Truong, total textile-garment demand in member nations of the CPTPP, which gathered 11 members with a combined population of 500 million, was estimated at US\$83 billion annually. In 2018, Viet Nam's textile-garment exports to CPTPP markets were \$5.3 billion, making up 6.3 per cent of the market.

Canada's demand for textile-garment products was worth some \$13-14 billion each year, only 5 per cent of which was provided by Viet Nam, Truong said, adding that there was room for Vietnamese exporters to accelerate their exports

to Canada, especially as both countries had ratified the CPTPP.

He said all businesses had the opportunity to enjoy a better tariff policy if they satisfy rules of origin. Therefore, Vinatex has organised trade promotion activities in 2018 and 2019 to meet with Canadian importers.

At the workshop, David Ostroff, President of David O International, agreed there remained huge co-operation potential for the two countries thanks to Viet Nam's competitive prices and its organised and effective businesses.

Notably, Canada could access the Vietnamese market with a tariff rate of zero per cent, especially important with the Canadian dollar weak internationally. This was the right time for Viet Nam to enter the Canadian market, he said.

The CPTPP, which took effect in Viet Nam on January 14, was expected to boost exports of Vietnamese textile and garment products to Canada as 42.9 per cent of the shipments of these

products to the market would enjoy an import tariff of zero per cent in the first year the deal

comes into force.

## 7. Moderate credit growth positive for Việt Nam's economy

Reports from the State Bank of Viet Nam (SBV) showed credit growth as of April 17 this year had expanded by 3.23 per cent against the end of 2018, the lowest rise in the last four years. The rates during the same periods of 2018, 2017 and 2016 were 5 per cent, 5.2 per cent and 4.2 per cent, respectively.

Can Van Luc, chief economist of the Bank for Investment and Development of Vietnam (BIDV), said he was not surprised at the moderate credit growth, explaining the SBV had targeted controlling credit growth since the beginning of this year to curb inflation and stabilise the macro-economy.

According to Luc, local firms were no longer too dependent on bank loans as they could raise capital from the securities and bond markets. The domestic market had also witnessed new capital supply channels, such as fintech and peer-to-peer companies.

As a result Luc said moderate credit growth was a good sign for the economy.

In addition, restructuring of bank loans had improved, he said, explaining that bank loans were pouring into the production and business sectors, which were key drivers for the country's economic growth.

According to the SBV's Department of Credit for Economic Sectors, despite slow credit growth, bank loans had been issued for the Government's priority sectors, of which credit for high-tech enterprises surged by 7.25 per cent. The rise for supporting, export, and agriculture and rural sectors hit 3.63 per cent, 3.5 per cent and 4.8 per cent, respectively.

According to Nguyen Anh Duong, director of the General Research Department under the Central Institute for Economic Management (CIEM), low

credit growth had reflected the SBV's move to control loans for high risk sectors and focus on production.

This year, the SBV has a credit growth target of 14 per cent for the entire banking system - the same as last year - and experts believe this to be reasonable.

Nguyen Duc Thanh, director of the Vietnam Institute for Economic and Policy Research, said Viet Nam's economic growth often relied heavily on increased credit, times have changed. Now, the economy can grow without strong lending, particularly when the supporting industry as well as the services and agricultural sectors are becoming more attractive to foreign investors.

According to Thanh, there was no reason for higher credit growth this year when the economy was still gaining without needing more capital.

Expert Dinh Trong Thinh from the Academy of Finance said that credit growth should be from 12.5-14 per cent as businesses would expand operations by mobilising capital from the securities market, instead of needing more bank loans.

Moody's Investor Services also hailed the moderate credit growth, saying it was positive for banks' asset quality and capitalisation.

According to Moody's, tighter credit could lead to rising problem loan ratios, reflecting the seasoning of banks' loan portfolios. However, lower credit growth encouraged banks to focus on borrowers of better quality, which would improve asset quality in the long term.

Moderate credit growth would also lower pressure on capital, especially for State-owned banks, the ratings agency said.

Analysts from Bao Viet Securities Co (BVSC) forecast credit growth would be around 14 per

cent for the next few years, lower than the average rate of 18 per cent recorded from 2015-17.

## Corporate News

### 8. BHA: Notice of transaction of connected institution - Bac Ha Investment JSC

↓ -14.74%

- Name of issuer: Bac Ha Hydropower JSC

- Stock code: BHA

- Securities type: Common stock

- Name of connected person: Bac Ha Investment JSC

- Name of person discharging managerial responsibility (PDMR)/Director: Dong Quoc Cuong

- Position in the listed company: Chair of B.O.D

- Relation between connected person and PDMR/Director: Chair of B.O.D

- Number of shares held by connected institution before transaction: 5,850,000 shares

- Number of shares to be acquired: 10,320,000 shares

- Nature of transaction: Negotiation and order matching

- Purpose of transaction: Increase of holding rate

- Expected Start date of transaction: 20/05/2019

- Expected End date of transaction: 18/06/2019

### 9. FUESSV50: Tracking error from 10 May 2019 to 16 May 2019

↑ 0.77%

Tracking error from 10 May 2019 to 16 May 2019 of SSIAM VNX50 ETF as follows:

File Attachment

[20190517\\_FUESSV50-190517-Tracking-error-from-10-May-2019-to-16-May-2019.pdf](#)

### 10. E1VFN30: Basket of component securities 17 May 2019

↓ -0.34%

Basket of component securities 17 May 2019 of VFMVN30 ETF as follows:

[20190517\\_E1VFN30-190517-Basket-of-component-securities-17-May-2019.pdf](#)

File Attachment

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