



VIETNAM DAILY NEWS

June 10th, 2019



Table of content

Table of content

1. VN stocks forecast to move forward
2. Covered warrants expected to attract many investors
3. Shares rise on Fed rate hike hopes
4. FDI enterprises in massive tax arrears
5. Grab surpasses Vinasun in tax contribution in 2018
6. Conference highlights opportunities for Viet Nam, Argentina
7. US imports from Vietnam and other countries rise amid China trade war
8. Vietnam to face pork shortage later this year
9. What can Vietnam receive from Chinese investments?
10. AAA: BOD resolution on selecting the audit firm
11. BSI: Record date for stock dividend

Market Analysis

1. VN stocks forecast to move forward

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 1.06 per cent on Friday – the strongest rise in two weeks – to end last week at 958.28 points.

Friday's strong increase helped the VN-Index recoup some of its losses made in the week. The benchmark index lost total 0.17 per cent last week.

An average of more than 150.4 million shares was traded in each session of last week, worth VND3.4 trillion (US\$146.5 million).

The HNX-Index on the Ha Noi Stock Exchange was up 1.14 per cent to end Friday at 104.21 points.

The northern market index fell total 0.13 per cent last week.

The Vietnamese stock market was volatile in four trading sessions last week as investors worried trade tensions between the US and other countries would slow global economic growth.

But hopes for the US Fed to cut lending rates twice in 2019 supported the market sentiment on Friday and send the VN-Index straight up to almost level with the previous week's end of 959.88 points.

"Investors' confidence was supported by the progress of the US stock market, thus, the VN-Index made strong gains," BIDV Securities Corp (BSC) reported.

"However, trading liquidity was still low and needs testing next week," even though it improved from Thursday's figures, BSC added.

This week, the market sentiment could be more positive after the US late Friday announced it had postponed an increase of tariffs on \$200 billion worth of Chinese goods.

The tariffs will remain at 10 per cent until June 15 instead of being raised to 25 per cent as previously planned.

Meanwhile, US Treasury Secretary Steven Mnuchin said on Saturday he had some straightforward and constructive discussions with the Chinese central bank governor Yi Gang on trade issues.

Those pieces of news could boost the market morale in early trading this week, securities firms expect.

In fact, investors are becoming more optimistic about the short-term prospects of the Vietnamese stock market.

According to vietstock.vn, VN30-Index futures made strong increases on Friday. The large-cap VN30-Index finished last week at 869.56 points.

VN30F1906 futures, which expire on June 20, gained 0.96 per cent to end the week at 874.80 points. VN30F1907 ended last week at 873.10 points, VN30F1909 and VN30F1912 concluded at 877.50 points and 878.90 points, respectively.

"Investors are still optimistic about the positive movement of the VN30-Index in the future," vietstock.vn said.

Technically, the VN-Index has fallen for three straight weeks with depleting liquidity. But strong purchases appeared on Friday to boost the market.

According to Nguyen Trung Du, VNDirect's head of investment consultancy centre, low liquidity is a certain thing at the moment because short-term risks are quite likely given the unpredictability of the international financial market.

"Strong declining sessions occur frequently and indicate investors are kept highly worried about risks," he told tinnhanhchungkhoan.vn.

“That could signal some technical recoveries for the VN-Index next week,” Sai Gon-Ha Noi Securities (SHS) said in a note.

But the biggest challenge for the market now is a large part of the capital is still standing outside and moving to the derivatives market, SHS added.

“It could make the recoveries short-lived and the VN-Index may decline immediately when facing the resistance,” the stock brokerage said.

“The movements and decisions made in response to trade tensions and the macro-economy will continue driving the market sentiment,” SHS added.

The VN-Index could head to the nearest resistance of 970 points, SHS forecast.

2. Covered warrants expected to attract many investors

Speaking at the seminar on Covered Warrants – Anticipating New Opportunity, Nguyen Duc Thong, securities derivative transaction director at SSI Securities Corporation, said covered warrants are a popular security on many developed markets.

Markets that have developed covered warrants such as Taiwan, Thailand, Hong Kong, and South Korea and Viet Nam's securities market have many similarities, including having high rate of individual investors, short-term trading accounting for a majority and large demand for using leverage.

Bringing such premium-structured products to Viet Nam was a correct and necessary step, he said.

Covered warrants would help diversify asset classes and help hedge risks in the context of market volatility, he said.

To issue them, securities companies must meet certain financial norms and obtain a permit from the State Securities Commission of Viet Nam, delegates said, adding that fewer than 12 securities companies are qualified to issue them.

SSI, the largest brokerage in the country, would issue six CW codes based on four underlying shares of FPT Corporation (FPT), Mobile World Investment Corporation (MWG), Military Commercial Joint Stock Bank (MBB), and Hoa phat Group Joint Stock Company (HPG), Thong said.

The company had instructed its brokers to provide investors with proper consultation before they trade the new product, he added.

3. Shares rise on Fed rate hike hopes

On the Ho Chi Minh Stock Exchange, the VN-Index increased 1.06 per cent to end Friday's session at 958.28 points.

On the Ha Noi Stock Exchange, the HNX-Index rose 1.14 per cent to close at 104.21 points.

Liquidity on the two bourses increased with 174.6 million shares worth VND3.6 trillion (more than US\$154 million) traded, up 19 per cent in volume and 6 per cent in value compared to Thursday.

“The market is expected to improve early next week after two rebounding sessions toward the weekend with rising liquidity,” said Tran Xuan Bach, a stock analyst at Bao Viet Securities Joint Stock Company in a daily report.

Cash flow rotated among stock groups with macro-economic benefits, including textiles, industrial property, electricity and information technology, he said, adding that bank stocks and oil and gas stocks would continue gaining next

week, despite facing strong volatility and correction risk.

Blue chips drove the market with 24 of 30 leading stocks by value and liquidity on the Ho Chi Minh Stock Exchange gaining and only three declining. The best performers included PV Gas (GAS) which increased 3.2 per cent, followed by Vinhomes (VHM), Mobile World Investment Group (MWG) and Phu Nhuan Jewellery (PNJ) with growth of more than 2 per cent.

Banking stocks were also big gainers, as 11 of 13 listed banks increased, of which Bank for Investment and Development of Viet Nam (BID), Military Bank (MBB), Sai Gon-Ha Noi Bank (SHB), Sacombank (STB) and Tien Phong Bank (TPB) increased by more than 1 per cent.

According to BIDV Securities Joint Stock Company, local and regional market sentiment recovered slightly as market expectations focused on the possibility that the Fed might lower interest rates twice this year.

This is expected to cool down US-Mexico trade tension and central banks will have appropriate policy adjustments to minimise losses from prolonged China-US trade friction.

Bao Viet Securities JSC predicted the VN-Index would move toward the resistance zone of 965-970 points in several sessions.

“In this zone, we leave open the possibility that the market will face another adjusting pressure,” it said.

Macro & Policies

4. FDI enterprises in massive tax arrears

Some of the companies were well in arrears, such as NIVL Joint Stock Company that owed VND150 billion (US\$6.45 million), excluding penalties for late tax payments over a number of years, the department said. The FDI firm received its investment licence in 1998, but the owner had left the country, leaving huge tax debts behind.

There were many cases of tax debts worth tens of billions of dong such as Vietnam Silver Star with debts of about VND47 billion and Neocase Inc Vietnam Co, Ltd with debts of about VND30

billion. Those companies had halted operations but have not yet closed their debts.

According to the municipal customs department, the companies it was struggling to collect from were mostly involved in the shoes and garments sectors with licences to export products.

By May 15, HCM City had an outstanding tax debt of VND1.4 trillion, including VND1 trillion owed by the aforementioned 1,000 enterprises.

5. Grab surpasses Vinasun in tax contribution in 2018

Although Grab has been accused of tax evasion by its rival Vinasun and traditional taxi associations, the ride-hailing firm has been making growing contributions to the Vietnamese state budget. The company paid VND441 billion (\$19.17 million) in taxes in 2018, according to Document No.195/TB-CCT-KK, KTT&TH issued by Ho Chi Minh City's District 10 Tax Department on January 7, 2019.

According to Vinsun's consolidated financial report for the fourth quarter of 2018, the company paid VND144 billion (\$6.26 million) to the Vietnamese state budget, which is only one-third of Grab's tax payment.

With regards to tax management and the supervision of ride-hailing firms, Minister of Transport Nguyen Van The said that the companies are less likely to engage in tax evasion as the tax authorities have very broad oversight. "The state agencies ensure a fair playground for both local and foreign companies, ride-hailing and tradition taxi firms alike," he added.

Clarifying this issue, Minister of Finance Dinh Tien Dung said that the ministry has researched and applied the current tax policies to collect tax from electronic contract-based vehicles. Currently, the Law on Tax Administration has been uniformly applied to different types of enterprises in terms

of tax rates, preferential conditions, as well as tax exemption and reduction. Accordingly, enterprises which can determine their turnover, expenses, and corporate income like Grab, Mai Linh, or Vinasun need to submit a tax declaration on their own.

For foreign contractors like Uber, the tax authorities can determine their revenue but not expenses. Thus, foreign contractors must pay a fixed rate of value-added tax (VAT) and corporate income tax based on their turnover and expenses. These methods ensure a balance of tax payment among businesses.

"According to the statistics of nine ride-hailing firms including the likes of Grab and FastGo, the companies have to pay VND437 billion (\$19 million) in taxes in 2018 and in the first four months of 2019. So far, they have paid VND415 billion (\$18.04 million) in taxes," he added.

According to Minister Dung, the Ministry of Finance has requested the Ho Chi Minh City Department of Taxation to examine Uber's taxes during 2014-2016 to collect VND66.68 billion (\$2.9 million) in taxes. As of August 31, 2018, Uber had already completed the payment of tax arrears.

In the coming time, Minister Dung said that the ministry will add these issues to the Law on Tax

Administration and relevant policies. The tax authorities will proactively examine the tax affairs of these businesses to avoid tax evasion, in addition to providing information and

implementing electronic invoices for passenger transportation activities under electronic contracts.

6. Conference highlights opportunities for Viet Nam, Argentina

During the event, Vietnamese Ambassador Dang Xuan Dung said after more than 30 years of reform, Viet Nam had made remarkable development achievements, with national gross domestic product (GDP) in 2018 growing 7.08 per cent, the highest rate in the past decade.

Last year, the country's trade turnover also saw a positive increase of 12 per cent to US\$482 billion while its inflation rate was controlled at 3.54 per cent, Dung said.

In his speech, the diplomat also praised bilateral trade with Argentina which hit nearly \$3 billion in 2018. However, he said, the result still lagged behind the potential of the two countries.

He encouraged the two business communities to increase connectivity by exchanging delegations and participating in commercial events and trade fairs in each country. That would help them better understand business opportunities and find new partners.

At the event, representatives of the Argentine Chamber of Commerce for Asia and Argentine businesses shared their experience of trade activities with Vietnamese partners.

Argentina is now Viet Nam's second biggest importer on the American continent while the Southeast Asian nation is Argentina's fifth largest trading partner on a global scale.

The two nations are making efforts to lift bilateral trade turnover to \$3.5 billion by 2020.

In order to reach the goal, analysts suggested both countries step up administrative reforms, remove trade barriers and facilitate businesses' access to market information.

Enterprises themselves should stay proactive in grasping business opportunities, defining potential fields for broader co-operation, and seeking support from the two Governments to deal with challenges, they said.

7. US imports from Vietnam and other countries rise amid China trade war

Instead, a number of other countries are benefiting from Trump's trade war, according to data released by the Census Bureau on Thursday.

US imports from Vietnam are up 38% during the first four months of 2019, compared to last year -- suggesting that US importers are finding ways to buy from suppliers there. Imports have also increased by 22% from Taiwan, 17% from South Korea, and 13% from Bangladesh, the government data shows.

Americans are importing about 12% less from China, a shift that comes after a year of inconclusive trade negotiations.

Trump has lately expanded his trade war to include Mexico, which he's threatened with 5% tariffs starting on Monday. Tariffs are paid by importers, who can choose to eat the costs or pass them on to consumers, though in some cases overseas manufacturers cut their prices, too.

The President has repeatedly claimed that his tariffs will prompt manufacturers to bring production back to the US, a core campaign promise.

"The higher the Tariffs go, the higher the number of companies that will move back to the USA!," he tweeted this week.

Yet he's also acknowledged that his trade wars are driving manufacturing elsewhere -- which dings China but doesn't do much for American consumers.

"Also, the Tariffs can be completely avoided if you buy from a non-Tariffed Country, or you buy the product inside the USA (the best idea). That's Zero Tariffs. Many Tariffed companies will be leaving China for Vietnam and other such countries in Asia. That's why China wants to make a deal so badly!" Trump tweeted last month.

Many US importers, including those that sell hats, footwear and other apparel, rely heavily on China for those goods and component pieces. In some cases, the US doesn't have the factories to produce what's needed. Plus, wages are higher and the US labor market is tight.

"There is a litany of countries that footwear companies will consider before coming to the United States," said Matt Priest, president and CEO of the Footwear Distributors and Retailers of America, adding, "The United States is really not an option."

But other countries are. Footwear companies will likely first look to shift production to Vietnam, where some shoe manufacturing already exists and it's easy to bring Chinese materials across the border, Priest said.

"I think this notion that everything has to be made here is ignoring the economic facts of the 21st century global supply chain," he said.

Even before Trump began imposing tariffs, some production was moving out of China because of increasing wages there. US imports from countries like Vietnam and South Korea have been steadily increasing over the past decade.

"The current trade dispute is certainly accelerating that trend," said Russell Price, the chief economist at Ameriprise Financial.

Trump has also inked a new trade deal with South Korea, opening up its market to US autos.

While Taiwan and South Korea are more focused on high-tech items like smartphones and semiconductors, places like Vietnam still offer competitive wages -- making it an attractive place to make apparel and shoes.

8. Vietnam to face pork shortage later this year

The ministry said the domestic pork supply is limited as a large number of pigs have been culled due to the disease, and pork is being sold at unusually low prices because of lower demand, local daily newspaper Vietnam News quoted the ministry's Center for Industry and Trade Information as reporting on Friday.

As of Tuesday, ASF had stricken 53 cities and provinces, with the latest affected localities being southern Tra Vinh province and central Da Nang city, leading to the culling of nearly 2.2 million pigs nationwide, according to the Ministry of Agriculture and Rural Development.

Some provinces that had eliminated the disease saw outbreaks return and the disease could spread to large-scale breeding farms.

According to Rabobank, a global leader in food and agriculture financing and sustainability-oriented banking, Vietnam's pork output in 2019 would drop by at least 10 percent.

In its latest report entitled "Pork Quarterly Q2 2019," the bank said the drop in pork production will result in a 7-percent decline in per capita consumption, adding that Vietnam's imports are expected to rise this year to compensate for the potential pork shortages later this year.

ASF is a severe viral disease affecting domestic pigs and boars which can be spread by live or dead pigs and pork products, the World Organization for Animal Health said, noting that the ASF virus is harmless to human, but causes

hemorrhagic fever in pigs and wild boars that is almost fatal.

9. What can Vietnam receive from Chinese investments?

According to the Ministry of Planning and Investment (MPI), the total investment capital from China, including the mainland, Taiwan and Hong Kong was \$6.6 billion from the beginning of the year to April 20, a surprisingly high figure even though new investment capital flow to Vietnam in the context of the trade war is anticipated.

As such, Chinese investment capital in the first four months of 2019 alone amounted to 70 percent of the investment capital in the entire year 2018. The sharp rise is explained by the relocation of investments out of China. The growth slowdown has also prompted Chinese businesses to accelerate investments in Vietnam.

Regarding the investment scale, projects with huge capital were registered. These included the capital contribution by Beerco Ltd Hong Kong to Vietnam Beverage, worth \$3.85 billion, and two tyre manufacturing projects capitalized at over \$200 million in Tay Ninh and Tien Giang.

Bac Giang, the electronics manufacturing hubs, may see another newcomer, an electronics, network equipment and multi-media product factory, worth \$260 million developed by Goertek from Hong Kong.

However, the number of large projects is very modest.

Nhip Cau Dau Tu, noting that China ranked second in number of newly licensed projects and the first in number of capital contribution deals, commented that China continues following the

same approach strategy – a high number of projects, and small capital.

The strategy has two purposes. First, competing with small and medium enterprises in the host country. Second, contributing capital to acquire business divisions, while avoiding trade conflicts and enjoying the benefits the FTAs of which Vietnam is a member.

Nhip Cau Dau Tu commented that in the near future, Vietnamese enterprises will meet even bigger difficulties in the competition with Chinese enterprises, which receive preferences from the government of Vietnam and get support from the Chinese government.

An analyst, when tracking down the origin of the \$3.85 billion deal of buying into Vietnam Beverage, found that BeerCo, which came forward and made the transaction, is operating as a subsidiary of Thai Beverage Public Ltd (ThaiBev).

The Thai owner of Sabeco is driving his cash flow, and if so, the \$3.85 billion is just a 'cake with poor taste'.

In the real estate sector, according to CBRE Vietnam, about 30 percent of high-end real estate transactions in HCMC were made with Chinese clients. Some experts have voiced their concern over the presence of Chinese investors in many strategic advantageous positions.

In the processing and manufacturing industries, Chinese capital mostly goes to textile and garment, footwear and plastics projects.

Corporate News

10.AAA: BOD resolution on selecting the audit firm

↑ 2.60%

The Board resolution dated June 07, 2019, the Board of Directors of An Phat Plastic and Green

Environment Joint Stock Company approved the selection of Ernst & Young Vietnam Com Ltd as the auditor for the financial statements in 2019.

11.BSI: Record date for stock dividend

↑ 1.61%

On June 06, 2019, the Hochiminh Stock Exchange issued Announcement No.829/TB-SGDHCM about the record date of BIDV Securities Joint Stock Company as follows:

- Ex-right date: June 19, 2019
- Record date: June 20, 2019
- Reason & purpose: To pay stock dividend for 2018.
- Content:

Exercise ratio: 10% (Shareholder who owns 100 shares will receive 10 new shares).

Expected issue volume: 11,096,849 shares

Plan to deal with fractional shares: The distributed shares will be rounded down, the fractional shares will be cancelled

For example: At the record date, shareholder A owned 1,206 shares. With 10% performing ratio, the shareholder A will receive: $1,206 * 10/100 = 120.6$ shares. According to rounding policy, the shareholder A receives 120 new shares. The fractional shares of 0.6 will be cancelled.

Place of payment:

- Shareholders whose shares have been deposited: at the securities firms where the shares have been deposited.
- Shareholders whose shares have not been deposited: at BIDV Securities Joint Stock Company

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