



# VIETNAM DAILY NEWS

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**Table of content**

## Table of content

1. Share rally narrows in afternoon trade
2. Chinese markets rise after release of higher-than-expected May trade surplus
3. First venture summit kicks off in Hanoi
4. Five metro line projects report a cost overrun of \$3.47 billion
5. Vietnam's exports to U.S. rise, China-bound shipments dip
6. EVN to run 30 more solar power plants this month
7. WB says reforms needed to stimulate investment, productivity growth
8. APC: APC to Convene Extraordinary General Meeting 2019

## Market Analysis

### 1. Share rally narrows in afternoon trade

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.48 per cent to close at 962.90 points.

On the southern exchange, 158 stocks advanced while 132 declined.

Nearly 155 million shares were traded on the bourse, worth VND3.8 trillion (US\$164 million).

The benchmark index lost 0.17 per cent last week.

Insurance, stock brokerages, real estate, petroleum and mining, retail and technology were among the best-performing sectors in the morning session.

Those sector indices gained between 0.36 per cent and 0.76 per cent, data on vietstock.vn showed.

In the morning, the VN-Index increased with the buying force focused on blue-chips such as Vietcombank (VCB), Vingroup (VIC) and PetroVietnam Gas JSC (GAS). In the afternoon session, the gaining trend in the morning session was narrowed because the selling force continued to increase in Vinhomes (VHM), Techcombank (TCB) and the European Investment Bank (EIB).

The large-cap VN30-Index was up 0.34 per cent to end at 872.49 points with 18 of the 30 largest stocks by market value and trading liquidity progressing.

On the Ha Noi Stock Exchange, the HNX-Index dropped 0.20 per cent to end at 103.99 points.

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

More than 20.7 million shares were traded on the northern market, worth VND243 billion.

Foreign investors today bought a net VND174.51 billion on HOSE, focusing on Vingroup (VIC) (VND54.14 billion), Vietcombank (VCB) (VND19.4 billion) and PetroVietnam Power Corporation (POW) (VND18.3 billion). In addition, they bought a net VND3.5 billion on the HNX.

According to Bao Viet Securities Company (BVSC), the market is expected to face volatility and correction around the resistance zone of 965-968 points in several sessions.

“If successfully passing this zone, the next destination will be the support zone of 977- 983 points. This is a strong resistance zone and will challenge the market's increase. Therefore, the market may face risk of decline in the aforementioned resistance zone,” it said.

Cashflow is rotating among stock groups with macro-economic benefits, including textiles, industrial zone real estate, electricity, and information technology, BVSC said

Bank stocks are heading toward resistance zones and might move sideways in the coming sessions. Oil and gas stocks are expected to incur volatility in their recovery, it added.

Investors can consider raising stock exposure to 30-40 per cent of the portfolio. Investors should hold off on buying stocks at high prices and might consider selling stocks in the resistance zone of 965-968 points.

## Macro & Policies

### 2. Chinese markets rise after release of higher-than-expected May trade surplus

Mainland Chinese stocks were higher by the afternoon, with the Shenzhen component jumping 1.61% and the Shenzhen composite rising 1.473%. The Shanghai composite also gained 0.98%.

Over in Hong Kong, the Hang Seng index surged 2.03% as shares of Chinese tech giant Tencent soared 2.91%.

Official Chinese trade data for May showed the country's exports beating forecasts and imports falling short of expectations, leaving it with an overall trade surplus of \$41.65 billion for the month.

May exports in China rose 1.1% as compared to a year earlier against expectations of a 3.8% decline by analysts in a Reuters poll. Imports, which were also expected to fall 3.8%, dropped 8.5% instead.

The onshore Chinese yuan touched its lowest point in 2019 following the data release. It last traded at 6.9334 against the dollar, while its offshore counterpart also declined to 6.9523 against the greenback.

The Australian dollar, whose fortunes are often seen to be closely tied to that of China given the two countries' trade relationship, changed hands at \$0.6970 following an earlier high of \$0.7022.

Japan's Nikkei 225 jumped 1.03% in afternoon trade, while the Topix index gained 1.19%. Data on Monday showed that Japan's economy grew at a slightly higher annualized rate than initially estimated —2.2% in the January to March period, as compared to economists' median forecast of 2.1% growth in a Reuters poll.

South Korea's Kospi also rose 0.92%, with shares of chipmaker SK Hynix gaining more than 1.5%.

Autos in both markets jumped on the news that Trump had withdrawn his tariff threat on Mexican goods. They had initially tumbled when the levies were announced.

South Korea's Kia Motors surged as much as 4%, while Japan's Toyota bounced 1.56%, and Nissan rose 0.96%. Mexico is used as a production base by many Japanese automakers.

Meanwhile, markets in Australia are closed on Monday for a holiday.

Trump announced last Friday that the U.S. and Mexico reached a deal to avoid the implementation of tariffs, originally set to kick in on Monday. In return, he said, Mexico agreed to take “strong measures” to strengthen immigration enforcement.

The latest development comes as the U.S. remains locked in a trade war with China as the two economic powerhouses hit an impasse in negotiations.

U.S. Treasury Secretary Steven Mnuchin, who has been among the lead negotiators involved in trade talks with China, told CNBC on Sunday that Trump will decide on whether to implement more tariffs on China after the American leader meets with Chinese President Xi Jinping later in June.

“We're going to need to see action, and President Trump is going to need to make sure he's clear that we're moving in the right direction to a deal,” Mnuchin told CNBC. “The president will make a decision after the meeting.”

Trump has previously indicated he expects to plan his next trade moves after the G-20 meeting in Japan.

One investor told CNBC that the markets are “going to wait till that big event.”

“Everybody's hopeful they will strike a deal, it's not going to be (an) easy meeting. Quite clearly, there's been a lot of ... rhetoric going on between the Chinese and the U.S., you don't see signs of compromise,” Vasu Menon, vice president of group wealth management at Singapore's OCBC Bank, told CNBC's “Squawk Box” on Monday.

Meanwhile, a drastic slowdown for jobs creation in May increased the odds that the U.S. would go on an easier monetary policy. Nonfarm payrolls were up by 75,000 in May — the second time in four months that the figure increased by less than 100,000. Economists surveyed by Dow Jones had been looking for a gain of 180,000.

Concerns over the potential impact of U.S. trade policy and signs of a slowing American economy have raised expectations that the Federal Reserve would slash interest rates.

The U.S. dollar index, which tracks the greenback against a basket of its peers, was at 96.776 after

declining from levels above 97.6 last week. The Japanese yen traded at 108.60 against the dollar after touching levels below 108.0 last week.

Oil prices were higher in the afternoon of Asian trading hours, with the international benchmark Brent crude futures contract adding 0.52% to \$63.62 per barrel and U.S. crude futures rising 0.61% to \$54.32 per barrel.

— Reuters, along with CNBC's Fred Imbert and Everett Rosenfeld, contributed to this report.

### 3. First venture summit kicks off in Hanoi

The first such summit, lasting until June 12, is a dialogue platform between the Vietnamese Government, startups and domestic and international venture funds.

Many investment funds have been established in Vietnam and are willing to pour capital into investment projects, said Minister of Planning and Investment Nguyen Chi Dung.

Vietnam is a potential market for these funds as its population is nearly 100 million people, with 63% of them having access to the Internet, 57% actively using social media and 73% owning mobile phones.

In addition, there were over 3,000 startups in Vietnam last year, placing the country third in Asia, Dung added.

According to Vinnie Lauria, representative of Golden Gate Ventures, which coordinates with the Ministry of Planning and Investment to organize the event, Vietnam's innovative startup projects are attractive to foreign venture funds.

Representatives of more than 100 venture funds will come to Vietnam to seek opportunities. At the Vietnam Venture Summit 2019, major deals with Vietnamese startups will also be announced, Lauria noted.

Many large Vietnamese firms have also invested heavily in the startup ecosystem. Specifically, VinaCapital Group has launched a new venture investment fund, called VinaCapital Ventures, worth a total of US\$100 million, while Vingroup has set up a VND2 trillion (US\$85.6 million) supporting fund for startups and science and technology research.

The number of local venture funds has reached 40.

According to a report on the startup movement last year by the Topica Founder Institute, 92 projects by Vietnamese startups received total investment of some US\$889 million, tripling that in 2017.

The Vietnam Venture Summit 2019 also introduces Vietnam's business environment, innovative startup ecosystem and National Innovation Center. Domestic startups can explore support from the Government and investment funds.

Also, discussions will focus on startups' needs in terms of financial technology, artificial intelligence and ecommerce as well as experience in expanding business operations to other countries.

Minister Dung said that the summit will be held annually to promote innovation among domestic enterprises, encourage them to establish venture

funds and provide them with easier access to capital resources.

#### 4. Five metro line projects report a cost overrun of \$3.47 billion

In the framework of the seventh session of the 14th National Assembly (NA), Minister of Transport Nguyen Van The reported on the construction process of transport projects, including metro lines in Hanoi and Ho Chi Minh City. Accordingly, the construction of all five projects in these two cities is behind the schedule and have exceeded the initial investment calculations by a significant margin.

Notably, in Hanoi, the Cat Linh-Ha Dong elevated railway system, which is 99 per cent complete, has yet to be certified as safe for official operations. The two other metro line projects have been delayed 10 times already.

Specifically, the Metro Line No.3 project connecting Nhon and Hanoi stations is only 49 per cent complete. Work on the project started in September 2010 and was expected to end in September 2017. However, the deadline was later extended to December 2022 and as of now, the cost overrun is VND14.05 trillion (\$610.87 million).

The situation is even direr at the city's Metro Line No.1 linking the Yen Vien and Ngoc Hoi stations, which has yet to be launched at all.

In Ho Chi Minh City, Metro Line No.1 connecting Ben Thanh Market in District 1 and Suoi Tien Park in District 9, which is 63.91 per cent complete, has been suspended until investment adjustment procedures are finished. Meanwhile, the cost overrun is reported at VND51.7 trillion (\$2.25 billion).

Meanwhile, only two packages of the second metro line between Ben Thanh Market and Tham Luong – the office building and the depot – have been completed. The seven remaining packages have yet to be executed due to a lack of capital and complicated project adjustment procedures.

According to the minister, there are numerous reasons for these unexpected incidents. The weak capacity in building investment plans and evaluating the projects is the main reason behind the delay in construction and budget increases. Notably, due to a lack of experience, consultancy firms failed to calculate the exact investment capital compared to the real demand as well as necessary infrastructure works. Thus, the projects had to be adjusted, departing significantly from the initial plan.

Besides, the lack of reciprocal capital, in collaboration with problems in selecting contractors, impacted the construction process.

In response, Minister The said the ministry's inspectors have reviewed all projects that were reported to show signs of poor quality. The ministry has also co-ordinated with the Government Inspectorate, the State Audit of Vietnam (SAV), and the police to investigate violations at these projects.

All individuals and organisations found to have committed violations in the execution of urban railway projects must be held accountable under the law.

#### 5. Vietnam's exports to U.S. rise, China-bound shipments dip

Data from the General Statistics Office show Vietnam's exports to its foreign markets grew during the January-May period, except for China.

Vietnam earned US\$100 billion in export revenue in the first five months, with the United States being the country's largest buyer, spending

US\$22.6 billion on Vietnamese goods, up 28% year-on-year.

Some items with strong growth of exports to the U.S. market included smartphones and accessories, up 109.2%; electronics, computers and parts, with an increase of 58.4%; and textiles and garments.

Meanwhile, Vietnam has seen signs of a slowdown in goods exports to China. The country's total revenue from exports to the northern neighbor reached US\$13.4 billion in the first five months, down 2.6%. Some commodities facing a strong drop in exports to this market were rice, tumbling 78.7%; smartphones and accessories, dipping 56.6%; and seafood, down 11.8%.

"U.S.-Sino trade tensions have affected Vietnam's economy both positively and negatively," Director of the Vietnam Institute for Economic and Policy Research (VEPR) Nguyen Duc Thanh said.

The representative of VEPR explained that Vietnamese goods have the advantage of being exported to the United States over Chinese goods as China's commodities are subject to higher taxes. In the context of the escalating trade war, U.S. firms also tend to select more Vietnamese goods than Chinese goods.

Meanwhile, the country's exports to China have fallen recently as the Chinese side is attempting to protect its domestic market to cope with the ongoing trade war, causing it to restrict imported goods from foreign countries, including Vietnam.

Many economic research organizations had earlier voiced concern over the change in supply and demand chains due to the trade war.

A report from the Central Institute for Economic Management indicated that Vietnam has recently found it difficult to ship goods to China for two reasons.

First, the northern neighbor has proactively slashed the volume of imported commodities during the trade war. Secondly, China is creating multiple obstacles for Vietnamese goods in retaliation for Vietnam's reluctance to be used as an intermediary for exporting Chinese goods to other countries.

"Shipping goods to China will get more difficult," VEPR said in its first quarter report. The report also shows that the Chinese side demanded that Vietnamese fruit and vegetable exports to China present quarantine certificates and have their origins and packaging checked and certified by Vietnamese agencies and the General Administration of Customs of China.

## 6. EVN to run 30 more solar power plants this month

As of May 31, the country had 50 operational solar power plants whose installed capacity totaled more than 2,400 megawatts (MW). They turned out over 185 million kilowatt hours (kWh) of electricity in May.

Besides this, seven more wind power plants, recently put into operation with an installed capacity of 331 MW, produced some 14.5 million kWh of electricity last month.

According to the Electricity National Load Dispatch Center, it has already drawn up plans to operate solar power plants on a trial basis and prepare power reserves for the central and

southern parts of the country, depending on the capacity of renewable energy projects.

The center has also installed systems appropriate for 500 kilovolt transmission lines to monitor power quality and ensure safe operations.

This month is thought to be the peak month of the dry season and scorching heat. Therefore, EVN expects the output of its entire electricity system to average 701 million kWh per day, with the heaviest load reaching some 39,040 MW.

## 7. WB says reforms needed to stimulate investment, productivity growth

Held by the Ministry of Planning and Investment, the workshop, entitled “Achieving Quality Growth in 2021-2030: Policy Options and Priorities,” was aimed at contributing to the formulation of two important strategic documents: the socio-economic development strategy (SEDS) for 2021-2030 and the socio-economic development plan (SEDP) for 2021-2025.

Sebastian Eckardt, a senior economist at the WB office in Vietnam, told the participants that there is not a large amount of room for the country to enjoy the benefits from its golden population structure, since a rapidly aging population, subdued investment and productivity growth weighs on Vietnam's medium-term growth potential.

Eckardt put forward a number of policy options for the nation to spur its investment and productivity growth.

For instance, more efficient financial intermediation is needed to ensure the allocation of domestic savings to productive investment, according to Eckardt.

The Government needs to improve the soundness and stability of the banking sector with strengthened regulation, supervision and debt resolution, improved corporate governance and capital adequacy for weak credit institutions, while deepening capital markets, in particular the corporate bond market, as an alternative source of long-term funding.

Also, the Government should address real sector constraints to remove the bottlenecks to private investment and development.

Furthermore, State-owned enterprise reforms, such as equitization, corporate governance, and competitive neutrality, should be accelerated and deepened.

More attention should be given to second generation regulatory reforms that enable firms to

compete and grow. These include an independent competition agency, improvements in the Competition Law and the Bankruptcy Law, as well as risk-based principles to regulations.

Country Director for the WB in Vietnam Ousmane Dione stated that rising Asian consumer markets present key opportunities for Vietnam. At the same time, the increasing adoption of advanced manufacturing technologies, such as robotics, 3D printing, and smart manufacturing in labor-scarce economies and in China, could challenge Vietnam's ability to continue to rely on export-driven growth.

However, they may also create new opportunities for faster technological catch-up and even leapfrogging, Dione said.

Additionally, many of the drivers that propelled the country's growth in the past will diminish over the next decade, according to Dione.

He said gains from structural transformation – workers moving from lower-productivity agriculture to higher productivity manufacturing and services – are running its course. Wages are rising and will start to erode Vietnam's current comparative advantage in relatively low-value, labor-intensive segments of global value chains.

“While Vietnam has every potential to sustain its development success, it will have to seize opportunities, manage risks and push ahead with bold reforms. The SEDS and SEDP are Vietnam's golden opportunities, because they will shape the country's development roadmap for the next decade,” he said.

Minister of Planning and Investment Nguyen Chi Dung said that the implementation of the country's SEDS for 2011-2020, and the SEDP for 2016-2020, has so far brought about an array of positive results.

The country has maintained its macroeconomic stability, while achieving strong economic growth

and undertaking economic restructuring, in line with the renewal of the growth model.

However, these outcomes still fall short of expectations due to unfavorable developments of the global economy, the minister admitted.

For example, the productivity, quality, effectiveness and competitiveness of the Vietnamese economy remains modest. Also, strategic breakthroughs have yet to make

significant progress, particularly in terms of manpower and infrastructure, while the gap between the rich and poor tends to increase.

In the next phase of development, he urged the issuance of breakthrough orientations and policies aimed at bolstering economic growth, with a focus placed on a wide range of fields, including manpower, infrastructure, sustainable development, and green growth.



## Corporate News

### 8. APC: APC to Convene Extraordinary General Meeting 2019

↑ 0.37%

On June 07, the Board of Directors of An Phu Irradiation Joint Stock Company approved to convene the 2019 Extraordinary General Meeting of Shareholders as follows:

- Record date: June 28, 2019
- Meeting time: July 19, 2019
- Meeting venue: The Meeting Hall of An Phu Irradiation Joint Stock Company (119A/2, Group 4, Hamlet 1B, An Phu Commune, Thuan An District, Binh Duong Province)
- Content: to approve the issues under the jurisdiction of General Meeting of Shareholders.

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