



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Stocks down after two days of rising

On the HCMC bourse, 140 stocks gained while 157 others fell. The benchmark index ended at 962.07 points, down 0.83 points, or 0.09%, against the day earlier. Trade volume tumbled 12% to 136.38 million shares and value plunged 17% to VND3.17 trillion.

In block deals, some 40.6 million shares changed hands at a total value of VND978 billion. Sugar maker SBT saw over five million shares worth VND88 billion traded and retailer VRE had more than 4.4 million shares worth VND155.7 billion changing hands.

The heavy selloff sent many blue chips dipping, which hit the VN-Index. Dairy stock VNM dropped 1.1% at VND125,000 per share while brewery firm SAB, which performed well in the Monday session, edged 2.1% lower and electricity company POW slumped 1.6%.

The rises of multiple stocks such as gas firm GAS, retailer MWG, lenders VCB, VPB and MBB, steelmaker HPG and jewelry firm PNJ kept the index from plunging further.

Trade in key stocks was also lackluster. Around 4.4 million shares of steelmaker HPG changed hands but other stocks, including lenders VPB and

MBB, tech firm FPT and retailer VRE, saw over one million shares traded each.

Construction firm ROS led the southern bourse by liquidity with 8.5 million shares transacted, followed by real estate stock HQC with 4.8 million shares traded.

Notably, bank stock TPB surged 4.7% at VND25,500 per share, with trading volume of 1.2 million shares, the highest in one month.

The HNX-Index of the Hanoi Stock Exchange lost 0.04 points, or 0.04%, to 103.95 points. There were over 24 million shares worth VND254 billion traded at the end of the day, up 48% and 20% against the session earlier, respectively.

Among large-cap stocks, a few gained ground such as industrial firm VCS which ended up 1.8% and fertilizer firm LAS which advanced 1.3%.

Lender SHB took the lead by liquidity with 2.16 million shares traded while four others -- gas firm PVS, real estate developer PVX, property firm HUI and garment firm MPT -- had over one million shares transacted each. They were the five most actively traded stocks on the Hanoi bourse today.

## Macro & Policies

### 2. World Bank sounds warning about Vietnam's gloomy water situation

Vietnam's rapid development has given rise to a legion of threats to both the quantity and quality of its water sources, according to the World Bank study released this month.

The combination of threats, particularly flooding, worsening pollution, and competition among sectors for water in the dry season, could cut GDP by about 6 percent annually by 2035.

The impact of polluted water on human health alone could reduce the country's GDP by 3.5 percent. If this pollution is not handled by 2030, the financial costs will be staggering for Vietnam - \$12.4 - 18.6 million a day, the study found.

Urban wastewater is expected to account for the majority of effluents (60 percent) over the next 15 years, while industrial wastewater might follow with 25-28 percent and rural wastewater with 12-15 percent.

Water treatment is insufficient in Vietnam. The Ministry of Construction statistics show only 46 percent of urban households are connected to drainage systems and a mere 12.5 percent of municipal wastewater is treated.

326 industrial zones countrywide were in operation by the end of last year. 220 among them, or 88 percent, had wastewater treatment plants. Only 71 percent of industrial wastewater is treated and the majority of the rest is discharged untreated directly into the environment.

#### Too little investment

Lack of investment in collecting and treating wastewater is identified as the source of much of the water problem in Vietnam in the World Bank report.

Most of Vietnam's 5,000 craft villages discharge untreated wastewater into the environment.

The report also points out the absence of wastewater treatment facilities at a majority of

hospitals and private clinics as well as large factories outside industrial zones.

Vietnam has a sound framework for wastewater management but enforcement is lax, it said. While all plants are required by law to be connected to a central treatment system in their industrial zone, some are exempt from the requirement if they can treat the wastewater themselves in compliance with regulations because the cost to connect is too high or if the volume of wastewater they produce is too large.

These loopholes make it difficult to monitor the wastewater discharged by the exempted facilities.

#### Dependence on external sources

Vietnam's water supply remains "vulnerable" since more than 60 percent of the yearly surface water discharge is generated outside its territory.

The heavy reliance has an economic effect on the country as the waters in Vietnam's two most critical rivers flow in from other countries: 95 percent in the case of the Mekong and 40 percent in the case of the Red River.

80 percent of Vietnam's GDP is generated in four river basins, Red River (Red-Thai Binh), Mekong, Dong Nai, and the South East River Cluster.

So far, only the Mekong has a transboundary agreement represented by the Mekong River Commission and the associated national committees set up by Vietnam, Cambodia, Laos, and Thailand which has helped these riparian countries with information and risk management.

Climate change-related risks put many people in danger as more than 70 percent of the population is exposed to one or more types of water-related natural hazards.

The report's research models suggest that "climate change will lead to increased severity and frequency of floods, typhoons, sea-level rise, and associated storm surges."

### Governance difficulties

To deal with industrial wastewater, the government introduced an environmental protection fee that includes a fixed component of VND1.5 million (\$64) and a variable component for the discharge. A business would have to pay the second component when it discharges more than 20 cubic meters per day.

The effectiveness of this fee has not been assessed while the current pollution situation suggests that "[the fee]'s impact on untreated wastewater discharges has so far been limited."

The government has created several sound frameworks to address water management, including the 2012 Law on Water Resources, the Regulations on Water Resources Planning Techniques in 2015 and the National Strategy on Water Resources.

However, they are not fully implemented or function as intended in practice, while the planning and management at the basin level has shown limited success, the report notes.

Incentives essential to guarantee better policy compliance are also limited.

There is no united database used consistently from the national to local levels, making management of water resources more challenging.

This host of water challenges will not go away if Vietnam does not come up with a different approach to managing water resources.

Some of the detailed recommendations call for increased monitoring and inspection, especially random, and severe penalties. An information system on national water needs to be created and made easily accessible to all.

Incentives can come from making domestic wastewater collection, treatment and reuse a business opportunity and investment priority. But this endeavor will need a joint effort in the form of public investment and regulations to expand the collection and treatment system and engagement with the private sector to make domestic wastewater attractive to investors.

Water pollution is one of Vietnam's top five concerns, according to a survey done by market research firm Indochina Research. Air pollution, food safety, sexual harassment, and healthcare round it off.

### 3. Undersupply pushes up live-pig prices

Dao Huu Thuan, a pig farmer living in the province's Thong Nhat District, said that the prices of live pigs have risen to between VND35,000 and VND38,000 per kilogram from VND31,000 in recent days. For pigs that look good and weigh about 110 kilograms each, they get VND38,000 per kilogram.

Meanwhile, Nguyen Quang Thuy, who owns a household pig farm in the province, expressed regret for having sold his 91 pigs a week ago at the lower price of VND31,500 per kilogram. He still had 120 sows on his farm, which were not yet eligible for sale.

Thuy's neighboring pig farmers also faced a shortage of live pigs as they had almost sold out

their pig herds due to possible ASF infections, he said.

According to the base prices of live pigs quoted by CP Vietnam Livestock Company, local live-pig prices were revised upward by VND2,000-VND3,000 per kilogram, said Nguyen Ngoc An, general director of domestic meat processing firm Vissan.

An added that Vissan had bought live pigs at VND39,000 per kilogram. The firm still purchases and slaughters a steady 1,300 live pigs a day. He also attributed the price hike to the shortfall of live pigs.

In HCMC's Hoc Mon wholesale market, the prices of live pigs were quoted at VND39,500 per

kilogram for four days, up from the previous VND33,500, said market deputy director Le Van Tien. Some 5,000 pigs are still being taken to the market each night, he said.

To date, 54 provinces and cities have been hit by the disease, while HCMC is among the remaining localities that have adopted effective preventive measures and reported no ASF outbreaks.

As for Hanoi, the disease also drove live pig prices up to VND41,000 per kilogram, the highest level in 10 days at traditional wet markets.

Nguyen Thi Lien, a trader in Bach Mai District, forecast that the live pig prices might climb further in the coming days as many wholesale markets are suffering a shortage of live pigs.

Despite the soaring live pig prices, local traders at traditional markets expressed concern that consumers would stop buying pork products and switch to other meats.

Pork products that strictly follow food safety and hygiene standards are sold at traditional markets, but consumers are still afraid, said a trader at Hom-Duc Vien market.

In related news, Deputy Prime Minister Vuong Dinh Hue at a recent meeting approved in principle a Ministry of Agriculture and Rural Development proposal to consider tapping the State budget to back pig farmers and pig farming companies whose pig herds were culled because of ASF.

The Deputy PM suggested the ministry propose the Government increase daily payments for staff members who took part in culling sick pigs, at the floor level of VND200,000 each on normal days and VND400,000 on holidays.

Further, he asked the Ministry of Finance to advance some VND1.2 trillion to local authorities to support affected pig farmers.

#### 4. Venture funds pledge US\$425m for Vietnamese startups

Some notable deals included South Korea-based DT&I investment fund's investment of US\$1.4 million in Propzy, the provider of an app that allows users to find and rent or buy properties, in the second quarter of this year, according to a report on the VnEconomy news site.

Meanwhile, VinaCapital agreed to sign a strategic cooperation agreement with two Korean funds to pour US\$100 million into Vietnamese startups in the next three years.

A representative of the European Chamber of Commerce in Vietnam also introduced a European Union investment fund worth three billion euros (US\$3.4 billion) for startups.

According to an annual report on the startup movement by the Topica Founder Institute, 92 projects by Vietnamese startups received total investment of some US\$889 million last year, tripling that in 2017 and six times higher than the investment in 2016.

Local startups are expected to attract US\$205 million this year, US\$320 million in 2020 and US\$440 million in 2021, according to the report, which also showed that the number of Vietnamese startups has reached some 3,000, well above the 400 seen in 2012.

According to the Ministry of Planning and Investment, Vietnam currently has more than 40 venture funds, doubling the number in 2015. Many large Vietnamese firms have also invested heavily in the startup ecosystem, such as FPT, Viettel, Vingroup and CMC.

Further, the country is now home to over 40 startup incubators and 60 co-working facilities.

However, the local startup ecosystem is relatively young and not closely connected compared with those in regional countries. Factors that contribute to the success of startups, including infrastructure, institutions, policies, finance,

investment, markets and culture, must continue to be improved.

The Vietnam Venture Summit 2019, which lasts until June 12, is aimed at introducing Vietnam's business environment and innovative startup ecosystem to attract investors.

The summit attracted more than 100 domestic and foreign investment funds, including Softbank

Vision Fund, CyberAgent Ventures, Mekong Capital, 500 Startups Vietnam, DT&I, IDG Ventures Vietnam and VinaCapital Ventures. Representatives of large international groups such as Google, Visa, BCG Digital Ventures, One Championship and Lotte also took part in the event.

## 5. Falling rice, tra fish shipments to China affect domestic prices

A report from the Agro Processing and Market Development Authority, under the Ministry of Agriculture and Rural Development, shows that Vietnam's outbound rice shipments in May amounted to an estimated 739,000 tons, worth US\$314 million, taking the total volume of rice exports in the first five months to 2.83 million tons, down 4% year-on-year.

The first four months of 2019 saw China's rice imports from Vietnam plummet by over 90% over the year-ago period, even though the Chinese market's rice purchases from the latter accounted for 30%-40% of Vietnam's total rice shipments each year a few years ago.

Nguyen Thanh Phong, director of private firm Van Loi in the Mekong Delta province of Tien Giang, said that the rice export slump had dragged down domestic prices of rice, resulting in strong fluctuations in the local agro market.

Accordingly, fresh IR 50404 rice is priced at VND4,000 per kilogram, down by VND1,300-VND1,400 against the same period last year, while the IR 50404 material rice price fell by VND1,300 per kilogram to VND5,900-VND6,000 per kilogram.

The fall in rice prices has also reduced farmers' profits. They have earned only VND10 million in profit per hectare for rice cultivation.

Facing the same fate, tra fish farmers have also suffered financial difficulties as the tra fish price is currently VND20,000 per kilogram, tumbling by VND16,000 per kilogram against the record price seen last year. Many tra fish raisers said that the current low price of tra fish has caused them to incur a loss of VND2,500 per kilogram.

Statistics from the General Department of Vietnam Customs indicate that Vietnam saw the revenue from tra fish exports amount to US\$143 million in April, down 17.6% year-on-year. Vietnam earned US\$615 million for tra fish shipped to foreign markets in the first four months of 2019, equivalent to the figure in the same period last year.

As for the Chinese market, the value of Vietnam's tra fish exports to the neighboring country during the January-April period dipped by 5.7% year-on-year.

## 6. Foreign airlines not allowed to stop over in Vietnam

In response to a proposal by the authority of Van Don International Airport in Quang Ninh Province seeking permission for the airport to serve foreign airlines that want to have a stopover at a

local airport before reaching the airport of destination, a representative of the ministry said that the proposal was unreasonable and not in line

with the aviation law and international practices, news site *Vietnamplus* reported.

The ministry told the airport authority to work with travel companies, directing them to cooperate with domestic air carriers.

If Vietnamese airlines are unable to offer the service, the ministry will ask the Civil Aviation Authority of Vietnam to consider licensing foreign airlines to have two stops in Vietnam.

However, stopover flights on the domestic and international routes run by local air carriers and those to Noi Bai, Tan Son Nhat, Danang and Cam Ranh International Airports will not be permitted.

The ministry also requested Vietnamese air carriers to draw up plans to launch new air routes to Van Don International Airport.

Despite 68 aviation transport agreements being signed with other countries and territories, Vietnam has yet to allow foreign airlines to operate stopover flights on domestic routes.

According to a representative of a local air carrier, the policy to allow stopover flights should be applied in a reciprocal manner.

At present, Van Don International Airport serves only flights between HCMC and Van Don. To

develop international air routes, the airport authority will initially focus on attracting chartered flights.

At a meeting with the airport authority, travel companies expected stopover flights to be allowed at the airport. For instance, after being transported to Van Don, passengers would be able to stay there for several days and then fly on to their final destinations, such as Danang, Hue, Nha Trang, Phu Quoc and Dalat.

Van Don International Airport is located in Doan Ket Commune in Quang Ninh's Van Don District, covering 325 hectares of land. Its investment cost is nearly VND7.5 trillion (US\$321 million), including VND734 billion sourced from the Quang Ninh Province's budget.

The airport, which meets the International Civil Aviation Organization's 4E standards and is a level-II military airport, can serve 2.5 million passengers per year by 2020 and up to 1,250 passengers per hour during peak season.

An apron, providing parking space for a minimum of four aircraft, is scheduled to open by 2020, with capacity increasing to seven aircraft by 2030.

## 7. Vietnam the market to watch in Southeast Asia

According to GWEC Market Intelligence's new report titled South East Asia Market Update - Insights on Vietnam, the country can be the next big wind energy market in Southeast Asia. With a growing GDP, increasing population, surging power growth rate with dependence on coal, a favourable tariff system, and fantastic wind resources for both onshore and offshore wind, the report states that Vietnam has all the fundamentals in place to be a wind power leader in the region, as long as any sticking issues and hurdles can be overcome by market stakeholders.

These stakeholders are descending on Hanoi on June 11-12 for the Vietnam Wind Power 2019

event at the Pan Pacific Hotel. During the two days of roundtables, workshops, and a high-level conference, representatives from industry, finance, the government, international organisations, and other stakeholders will discuss how to overcome the projected challenges and ensure that Vietnam can fulfil its wind power potential. This official industry event is part of the GWEC's overall efforts to open up the Southeast Asia region for wind energy and the work of the newly launched South East Asia Task Force. The task force will act to engage governments and stakeholders in the region and will produce research and policy papers and much more in

order to assist in the growth of the wind energy industry in the region.

The GWEC's new report is the first of its kind to be published by the task force, and is available on the Market Intelligence section of the GWEC website for their members. It includes more than 30 tables and figures charting the market outlook for the Southeast Asia region up until 2030. As energy security becomes an increasing concern with industry and power consumption continuing to grow in Vietnam, questions are being asked if the country can provide sufficient capacity to this growth, and regulators are now turning their sights to wind and other renewable energy sources.

The Vietnamese government has taken the lead and established renewable energy targets in order to meet the growing energy demand and power economic development sustainably. The current target in place is to provide 10.7 per cent of electricity production coming from renewables by 2030. They have also established a wind-specific target of 800 megawatts by 2020 in order to meet their renewable energy goals.

On top of these targets, the government also raised the feed-in tariff (FiT) for both onshore and offshore wind in September 2018, in order to spur market activity and balance out the high risks within emerging markets, specifically power purchase agreement bankability. The FiT is set for all projects entering operation by November 2021, but what comes after this date remains unclear. A planned solar PV auction in Vietnam could be an indication of what market regulators are considering for other renewable sources. The current pipeline data shows about two gigawatts of projects, with just over 1GW of capacity expected to be installed in 2021, although 440MW

worth has a permit or even secured financing already. Although the target of 800MW by 2020 might not be reached, total installations of 600-800MW by 2021 seem realistic.

“With a long coastline and great wind resources, Vietnam has a real opportunity to develop a strong offshore wind industry,” said Bui Vinh Thang, head of government and corporate relations in Vietnam for Mainstream Renewable Power. “With our track record of successfully developing the world's largest offshore wind farm, we are committed to developing large-scale offshore wind projects here as a part of our renewable energy strategy for the country.”

Posing the biggest obstacle right now to reaching this target is obtaining financing for projects with a bankable power purchase agreement. International investors see many risk factors in this emerging market such as arbitration law, curtailment, termination, and government guarantees. Others include permits, pricing, and capacity-building, all of which must be taken into account when unlocking the market potential for wind energy in Vietnam.

“Within the fast-growing economies of Southeast Asia, Vietnam is a priority market for us,” commented Clive Turton, president of Vestas Asia Pacific. “With solid energy demand and the desire to increase the share of renewables in its energy mix, Vietnam has great potential to be a regional leader in renewable energy.”

“Both Vestas and the GWEC are committed to supporting the healthy development of the renewable energy sector in Vietnam, through sharing our experience and expertise in policy, regulations, and other mechanisms that can ensure Vietnam delivers on its rich potential,” he added.



## Corporate News

### 8. DCL: Deputy CEO Nguyen Ba The resigns

↓ -1.60%

On June 10, the Board of Directors of Cuu Long Pharmaceutical Joint Stock Corporation approved

the resignation of Mr. Nguyen Ba The as Deputy CEO, effective from June 10, 2019.

### 9. BSI: BIDV Securities JSC receives a covered warrant license

↓ -2.13%

BIDV Securities Joint Stock Company announces that they received Covered Warrant License No.27/GCN-UBCK dated June 07, 2019 from the State Securities Commission of Vietnam with the following contents:

- Security name: MWG/BSC/C/EU/Cash-01
- Underlying security: MWG
- Issuer of the underlying security: Mobile World Investment Corporation

- Quantity of the warrants registered for offering: 1,000,000 warrants
- Conversion ratio: 4:1
- Warrant type: call
- Warrant style: European-style
- Method of exercise: cash
- Duration: 03 months
- Depository bank: Tien Phong Commercial Joint Stock Bank.

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