



VIETNAM DAILY NEWS

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Market Analysis

1. Shares ease on low demand

The benchmark VN-Index on the Ho Chi Minh Stock Exchange lost 0.82 per cent to close at 954.17 points.

On the southern exchange, 107 stocks advanced while 183 declined.

More than 138 million shares were traded on the bourse, worth VND3.9 trillion (US\$167 million).

The benchmark index dropped 0.09 per cent to close Tuesday at 962.07 points.

On the Ha Noi Stock Exchange, the HNX-Index decreased by 0.38 per cent to end at 103.56 points.

More than 27.3 million shares were traded on the northern market, worth VND295 billion.

The northern market index decreased by 0.04 per cent to end Tuesday at 103.95 points.

The market at the end of the session continued to worsen with selling pressure rising while demand was still weak, which resulted in decreases for a series of large-cap stocks.

Decliners included Bank for Investment and Development (BID), Vietinbank (CTG), PetroVietnam Gas JSC (GAS), Viet Nam National Petroleum Group (PLX), Phu Nhuan Jewellery (PNJ), Vinhomes (VHM). VHM decreased by 2.3 per cent to VND80,000 per share. GAS dropped 2.4 per cent to VND101,500 per share. PNJ lost by 2.8 per cent to VND76,700 per share.

Global oil prices dropped, with Brent crude futures falling 98 cents to \$61.31, while US crude lost 92 cents to \$52.35 a barrel.

On the local market, oil and gas stocks like PetroVietnam Drilling and Well Services Corporation (PVD), PetroVietnam Technical Services Corporation (PVS) and PetroVietnam Construction Corporation (PVC) also fell.

On the positive side, the market received support from some individual gainers such as Mobile World Group (MWG), Kido Group (KDC) and HDBank (HDB). However, the rise of these stocks was not strong enough to help the market overall.

The large-cap VN30-Index was down 0.63 per cent to end at 865.42 points with only four of the 30 largest stocks by market value and trading liquidity progressing and 25 stocks declining.

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

Those sector indices declined between 0.34 per cent and 2.17 per cent, data on vietstock.vn showed.

The UPCOM Index on the Unlisted Public Company Market (UPCoM) edged down 0.03 per cent to finish at 55.12 points. The unlisted market index gained 0.55 per cent to finish at 55.13 points in the previous session.

Macro & Policies

2. Vietnam succeeds in reducing public debt: Fitch Ratings

Partnering with the Hong Kong-based financial magazine for Asia's decision makers The Asset, the "Fitch on Vietnam" forum gathered investors and leaders to discuss the economic outlook amid the macroeconomic challenges and examine Vietnam's credit outlook from issuer and market perspectives, reported the Vietnam News Agency.

Representatives from the U.S.-based credit rating agency mentioned the factors needed for this organization to raise its outlook on Vietnam's "BB" long-term foreign-currency issuer default rating to "positive" from "stable."

The Government is committed to consolidating its finance sector and curbing public debt, they said.

Fitch predicted that Vietnam's public debt would continue to drop to some 46% of the GDP by 2020.

The agency also forecast that Vietnam will continue to receive a large amount of foreign direct investment (FDI) in the manufacturing sector, mainly in the electronics segment, thanks to its advantages of low costs and supply chain connectivity.

These positive trends will support stable short-term economic growth, though the global economy is weakening and Vietnam's high level of trade dependence could affect economic growth this year and next, it said.

This has led Fitch to project that the country's economic growth will decrease slightly from 7.1% in 2018 to 6.7% this year and next.

This figure is still within the growth target of 6.6%-6.8%, set by the legislative National Assembly, and Vietnam will remain one of the fastest growing economies in the Asia-Pacific region.

The escalating trade war between the United States and China has shifted trade inflows out of China, according to Fitch.

As a result, many companies are moving their manufacturing facilities to Vietnam. However, it will take more time to witness the actual transition of factories from China to Vietnam on a large scale.

Speaking at the event, Vo Huu Hien, deputy director of the Department of Debt Management and External Finance at the Finance Ministry, said that the prospects of Vietnam's economy in 2019 and 2020 will remain positive, with macroeconomic stability and confidence in investment and the business environment further consolidated.

Hien also pointed out some external challenges that the Vietnamese economy is facing, including its high degree of trade openness.

Given this, the U.S.-China trade dispute will have certain effects on its economy, such as the shift in import and export policies, the avoidance of goods originating from some countries into Vietnam and changes in supply chains and investment flows.

He also expressed hope that Vietnam's credit rating in the coming period would continue to improve, further lifting its national prestige, reducing the cost of raising capital and easing market access through strengthening the country's ability to attract investors.

Vietnam issuers consider offshore capital market

As Vietnamese regulators continue to open the door to foreign financial institutions, Vietnamese issuers such as property companies have been increasingly tapping the capital market directly over the past few years, according to a report by The Asset.

With growing understanding of international practices, more issuers, such as Vietnam Electricity Corporation (EVN), are looking to tap the offshore capital market. "The offshore capital market is something we are looking forward to... Cost is a more important factor to us," said

Nguyen Xuan Nam, EVN's financial director, at the forum.

U.S. dollar bond issuance internationally requires a rating from rating agencies. While Vietnamese issuers are not yet used to the international rating practice, industry experts believe that obtaining a credit rating is beneficial to issuers, especially first-time issuers. "Ratings can give independent opinions and transparency to investors," noted Vicky Melbourne, head of South and Southeast Asia industrials at Fitch Ratings.

Currently, although the domestic capital market size is 110% of Vietnam's GDP, bank loans are still the preferred source of financing for most enterprises with a need for short-term working capital.

"Corporations in various industries may face different levels of difficulty in obtaining financing.

Property companies are easy. Small- and medium-sized enterprises usually go to commercial banks," said Doan Linh Huong, deputy head of investment banking at MB Securities.

On the other hand, investors who have no exposure to Vietnamese corporations have shown interest in investing in Vietnamese issuers. "Investors are definitely happy to take Vietnamese issuers for diversification purposes," said Hemant Lodha, managing director of HSBC.

On the domestic side, the Vietnamese corporate bond market has seen a threefold growth in value outstanding since 2015 as of the end of 2018, according to MB Securities. The Government has also recently issued a regulation encouraging corporate bond issuance.

3. Government to continue facilitating US firms' operation in Vietnam: Deputy PM

At a reception of Jerry Cook, Vice President Government and Trade Relations at Hanesbrands, in Hanoi, the Deputy PM congratulated the group on its successful operation in Vietnam in recent past and welcomed it to expand investment in the country.

He proposed the group pay more attention to social and charitable activities to help improve the quality of life for locals.

The presence of US major groups, including Hanesbrands, has significantly contributed to the promotion of trade and investment relations between the two countries, he said.

The Vietnam-US comprehensive partnership has developed pragmatically and effectively in all fields over the past time with the focus on economy, trade and investment relations, Dung said, adding that two-way trade stands at around 28.4 billion USD at present.

Jerry Cook said Hanesbrands has received big assistance from the Vietnamese Government, ministries, departments and localities over the past time.

US businesses highly appreciate the assistance of the Vietnamese Government, especially its efforts in improving the business and investment environment, he said, adding Hanesbrands is increasing the number of its factories and expanding the scale of production in Vietnam.

In the time ahead, the group wants to strengthen cooperation with Vietnamese ministries, departments and localities, particularly in the fields of customs and taxation, the official added.

Hanesbrands is running seven plants in Vietnam with nearly 12,000 workers, producing 26 percent of the group's total products in the globe.

The export turnover of Hanesbrands Vietnam in 2018 was estimated at 400 million USD.

4. Stark contrasts in Vietnam's automobile industry

While Vietnamese private automakers achieve breakthrough development, state-owned automotive enterprises remain sluggish or are operating at a loss despite being offered considerable incentives, Thanh Nien newspaper reported.

Domestic private auto makers go global

Recently, VinFast, a unit of conglomerate VinGroup, has conducted the first test runs of its sedan, SUV and hatchback before handing them over those to the customers this June.

According to VinFast's General Director James DeLuca, VinFast has made an unbelievable long stride result in just nearly two years while other automobile manufacturers in the world would need 36 to 60 months to do the same.

To better brand identity and make it more appealing globally as well as in the Vietnamese market, VinFast decided to present VinFast cars at the Paris Motor Show, one of the world's busiest automobile events, and quickly named Vietnam on the map of the world's automotive industry.

Another success story is Truong Hai Auto Corporation (THACO). Statistics from the Vietnam Automobile Manufacturers Association (VAMA) showed that THACO remained on the throne in term of car sales with the sales of its assembled Kia, Mazda, Peugeot, Thaco Bus, Thaco Truck (excluding BMW and MINI) reaching 8,148 vehicles in April, up 1% compared to the previous month.

In 2015, THACO left Toyota behind to become the largest car seller in the domestic market despite being weaker than the latter in both brand identity and financial potential.

According to French car expert France-based Khuong Quan Dong, VinFast had smart and daring strategies to shorten its road to the world's market by joining in one of the world's most well-known automobile exhibitions.

Not only did VinFast successfully catch international attention but it also highlighted the "national pride" among the domestic consumers.

The expert expected the Vietnamese government would create smooth and favorable policies for nourishing and developing sustainable automobile industry.

State-owned carmakers incur tremendous loss

Contrary to the efforts and breakthroughs of some private enterprises, state-owned ones are suffering escalating loss.

VEAM, which stands for Vietnam Engine and Agricultural Machinery Corporation, is one of the biggest Vietnamese businesses in mechanical engineering, machine building, and truck assembly and manufacturing with the VEAM Motor brand (VM).

Recent reports of its Supervisory Board revealed that nearly half of the corporation's offshoots ran at a loss in 2018, many of its daughter companies have suffered losses for years that needed to be put into special supervision, even filed for dissolution and bankruptcy.

By the middle of 2018, VEAM and its member units' losses amounted to nearly VND380 billion (US\$16.3 million).

In fact, as early as in 2010, the business reported losses worth VND37 billion (US\$1.6 million) but not until one year later did the corporation decide to arrange meetings and work on resolution on "manufacture orientation" with the view to become profitable in 2016.

According to the Inspectorate of the Ministry of Industry and Trade, between 2010 and 2013, although sales of goods and services of VM amounted to nearly VND8 trillion (US\$343 million), the company posted a loss of VND331.8 billion (US\$14.2 million).

5. Unilever says Vietnam, Bangladesh among next 'growth stars'

“The combination of quite a big population, strong GDP growth and rapid consumption in the categories we sell means that countries like Vietnam, Pakistan, Bangladesh, Myanmar and even Ethiopia will be our growth stars over the next few years,” Jope told the Deutsche Bank Global Consumer conference in Paris.

“These are going to be very important for the future and we are investing heavily,” he said.

Unilever, which makes household goods ranging from Dove soaps to Knorr packet soups, reported a 5 percent jump in emerging market sales in its latest reported quarter, compared to a 0.3 percent rise in its big developed markets.

The company already gets 58 percent of its sales from emerging markets including China, India and Brazil.

6. Two Vietnam Startups Will Merge with Plans to Raise \$30 Million

Vimo Technology JSC, a mobile wallet provider, and Vietnam mPOS Technology JSC, which develops portable point-of-sale technology, will be combined and rebranded as NextPay Holdings. Nguyen Huu Tuat, chief executive officer of mPOS, will become CEO of the combined entity. Nguyen Hoa Binh, who founded the two Hanoi-based startups, will be NextPay's chairman.

NextPay is in talks with investors to raise about \$30 million and anticipates closing the round soon, Tuat said. The capital will help the company as it plans an expansion into Myanmar and Indonesia in 2020.

“MPOS's business model is quite similar to Square in the U.S., in that any merchant can accept payments easily, and Vimo is a mobile wallet similar to Alipay,” Tuat said. “By merging these two businesses, we provide a one-stop payment solution for merchants.”

Prime Minister Nguyen Xuan Phuc is trying to usher the country into the modern era of digital payments, reducing the amount of U.S. dollars in circulation and establishing the dominance of the Vietnamese dong. That means encouraging Vietnamese households to adopt credit cards, bank transfers and digital payments rather than carrying around piles of cash and bullion.

The merger is aimed at helping NextPay capitalize on the shift. The combined company will have a presence in 11 cities across Vietnam, with more than 35,000 acceptance points. Already, Vietnam has a young, tech-savvy population where 70% use smartphones.

North Ridge Partners Executive Director Michael Gethen and Chris Tran, the firm's head of Asia, advised on the deal.

7. Vietnam ramps up pressure on Google's YouTube advertisers

Despite economic reforms and increasing openness to social change, the ruling Communist Party retains tight media censorship in Vietnam and does not tolerate dissent.

“Google was found to loosely manage its content, allowing users to buy ads directly from YouTube and Google without the involvement of domestic ad agents,” the Vietnam News Agency (VNA) said, referring to a June 7 announcement by the Ministry of Information and Communication.

The ministry listed several foreign companies, including Samsung Electronics, Huawei Technologies, Yamaha Motors and ride-sharing app Grab, which were found to have advertised on videos containing “illegal and malicious content,” it added.

Vietnam's information ministry has identified about 55,000 YouTube videos it deemed “harmful”, or in violation of Vietnamese law, the agency said. Of these, 8,000 were deleted at the request of Vietnamese authorities.

“In the near future, the authorities will ask YouTube to identify Vietnamese channels, and only certified ones will be considered for ad revenue sharing,” it added, without elaborating.

A controversial law on cybersecurity took effect in January that requires companies to set up offices in Vietnam and store data there.

Global technology firms and rights groups have pushed back against the law, and some company

officials have privately expressed concern it could allow authorities to more easily seize customer data and expose Vietnamese employees to arrest.

In the months before introduction of the law, Facebook increased curbs on content by more than 500% in Vietnam, the social media giant said last month.

In January, days after the new law took effect, Vietnam said Facebook had violated it by letting users post anti-government comments.

Vietnam's information ministry has asked businesses to “actively review” their advertising on social media, VNA said.

“The (information) ministry will work with the State Bank of Vietnam and relevant agencies to closely manage ad revenue flows on YouTube and Google,” it said.

Reuters could not immediately reach a Google spokesman to seek comment.

Corporate News

8. DXG: BOD resolution on the transfer of shares

↓ -0.54%

On June 10, 2019, the Board resolution of Dat Xanh Group Joint Stock Company approved to

transfer 24,799,980 shares from ViDo Land Invest Corp to Ha An Real Estate Investment Trading Joint Stock Company with the transfer value of VND247,999,800,000.

9. CII: Result of private placement of bonds

↓ -0.87%

Hochiminh City Infrastructure Investment Joint Stock Company announced the result of the private placement of bond as follows:

File Attachment

[20190612 CII-190612-Result-of-private-placement-of-bonds--PV.pdf](#)

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