



VIETNAM DAILY NEWS

June 24th, 2019



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Market Analysis

1. HCM City proposes switching State holdings in many firms

Under the plan, the committee suggested that the State should hold 100 per cent of charter capital in the fields of service provision for foreign agencies and diplomatic agencies, exploitation and supply of clean and underground water, information service activities, investment, management and exploitation of river ports.

It proposed to adjust the ratio of State capital from less than 50 per cent to over 65 per cent in the fields of medicine production, pharmaceutical chemistry and pharmaceutical materials.

As for the fields of environment, lighting and water drainage, where the State is holding less than 50 per cent, the committee proposed to raise the ratio to the range from over 50 per cent to less than 65 per cent.

The body also proposed that the State holds 100 per cent of capital in the companies of Saigon Water Supply Corporation, Saigon Ground Water Company Limited (under Saigon Water Supply Corporation), Quang Trung Software City (under Saigon Industry Corporation) and Ben Nghe Port Company Limited.

The committee suggested adjusting the ratio to over 65 per cent in Saigon Industry Corporation, Saigon Trading Group and Saigontourist Holding Company, switching the ratio from over 50 per cent to less than 65 per cent in Saigon Transportation Mechanical Corporation, Saigon Agricultural Corporation, Saigon Construction Corporation, General Saigon Real Estate JSC, Ben Thanh Group and Saigon Cultural Products Corporation.

2. Shares stagnant despite ETF portfolio restructuring

On the Ho Chi Minh Stock Exchange (HOSE), the VN-Index closed unchanged at 959.20 points. Despite two declining sessions early in the week, the southern market index still gained 0.6 per cent for the whole week.

Liquidity hit a one-month high thanks to robust trading by ETFs. More than 206 million shares worth VND5.45 trillion (US\$234 million) were traded on the HCM City's exchange, the highest since May 21.

Foreign trading was more robust as Friday was the last trading day for the two ETFs – VanEck Vectors Vietnam ETF (VNM ETF) and FTSE Vietnam ETF – to review their quarterly portfolios. With most of their portfolio stocks traded on the HOSE, trading focused on this bourse with total trading value of nearly VND3.8 trillion, of which buying value reached VND1.7 trillion and selling value reached VND2.06 trillion.

Being included in both ETFs' portfolios in the next quarter, shares of PV Power (POW) were bought heavily by foreign investors with a total net buy value of VND85.5 billion. Its price rose in the morning but then declined by 0.7 per cent to VND15.400 per share.

Meanwhile, despite being having a reduced weight in FTSE Vietnam ETF's portfolio, foreign traders continued to buy shares of steelmaker Hoa Phat Group (HPG) for net value of more than VND18 billion. HPG's shares increased by 0.4 per cent on Friday.

Being excluded from two ETF portfolios, shares of Sacombank (STB), PetroVietnam Fertiliser and Chemicals (DPM) and Hoang Anh Gia Lai Agricultural JSC (HNG) were sold heavily. Prices of these shares decreased by between 0.4 and 1.8 per cent each.

Without the support of foreign trading, the HNX-Index on the Ha Noi Stock Exchange edged down 0.2 per cent to close Friday at 104.85 points. After gaining in the four previous sessions, the northern market index rose 1.34 per cent for the week.

More than 37 million shares worth VND361 billion were traded on the market.

According to Bao Viet Securities Co (BVSC), the market may face volatility and correction early next week before rebounding toward the resistance zone of 965-966 points.

3. VN stocks predicted to progress slowly ahead of China-US talks at G20 summit

After having gained strongly in the two previous trading days, Viet Nam's benchmark VN-Index on the Ho Chi Minh Stock Exchange showed signs of slowing growth in the final session of last week.

It retreated from a gain of as much as 0.55 per cent earlier in the day on Friday to close the week at 959.20 points – almost unchanged from Thursday's end of 959.18 points.

Despite its weaker performance on Friday, the VN-Index increased by total of 0.58 per cent last week.

But it has been in a downtrend for the last three months, losing a total of 5.2 per cent.

In mid-March, the VN-Index passed the 1,000-point level for the first time since early October 2018. Global investors have been losing patience in the three months since in part due to the growing trade tensions between the US and China.

But last week, their confidence returned after the US Fed kept interest rates stable and announced it would eye further rate cuts this year to boost the economy.

Following the positive Fed news, focus has shifted to the upcoming meeting between US president Donald Trump and his Chinese counterpart Xi Jinping during the G20 summit in Japan this week.

"This resistance zone can be considered a challenge to the VN-Index in the short run," Tran Xuan Bach, a BVSC stock analyst, wrote in Friday's market report. "Thus, we leave open the possibility that the market will reverse direction, going down when facing this zone next week."

In its daily report, BIDV Securities suggested investors closely watch key international events such as the G20 summit with possible talks between the US and China and volatility in world oil prices due to escalating US-Iran tension.

Both international and domestic investors hope the leaders of the world's two largest economies will deliver positive statements to ease tensions.

Some analysts have pointed out US president Trump will not be too hawkish at the meeting as he wants to keep the economy performing well during the presidential campaign.

US stocks are expected to reach new highs if the meeting goes smoothly, but are likely to tumble if the leaders cannot find common ground.

Some experts expect the Vietnamese stock market to follow a similar path this week.

"The market is likely to move little in the short term as investors wait for the outcome of the Trump-Xi meeting at the end of June," Viet Dragon Securities (VDSC) reported on Friday.

Phan Dung Khanh, director of investment consultancy at Maybank KimEng Securities, told tinnhanhchungkhoan.vn that because the trade war has taken so long to resolve, it is no longer just an issue for the US and China. It has become a global challenge.

Cash is flowing into gold and other safe assets, Khanh said. Plus, bitcoin has overcome the \$10,000 milestone while US bond yields are declining. All of those factors show buying in stocks is not a secure measure at the moment and

as capital continues running away from the stock market, its prospects worsen.

According to Sai Gon-Ha Noi Securities (SHS), trading liquidity will play an essential role in moving the stock market.

Though it improved from the previous week, trading liquidity was still below the 20-week average, indicating investors were still cautious and big money had not yet returned to the market, SHS said in its weekly report.

According to *vietstock.vn*, more than 176 million shares were traded on the southern bourse on average in each session of the last week, worth VND4.24 trillion.

There would be opportunities for the VN-Index to reach higher levels this week but trading liquidity and market sentiment will be the decisive factors, the Ha Noi-based brokerage firm noted.

“The market is forecast to head toward the resistance zone of 965-966 points in the last week of June,” Bao Viet Securities Co (BVSC) said.

The market may incur volatility and correction early this week before rebounding, BVSC said, adding that the resistance zone could cause the VN-Index to fall back.

Macro & Policies

4. AEON to build US\$280 million mall in Hanoi

The Government leader voiced his support for the establishment of the mall in the south of Hanoi and later asked the local authority to create favorable conditions for the group, including the zoning adjustment by the city to make room for the commercial center.

PM Phuc also urged AEON to consume and export more Vietnamese products to Japan, reported the Vietnam News Agency.

Yasutsugu said the new mall is scheduled to open by 2020. Apart from four existing shopping malls, two others are under construction in the country. The group hopes to complete the construction of 20 commercial centers in the country by 2025.

According to the executive, the group expects to double the export value of Vietnamese goods, especially farming products, to US\$500 million next year as Vietnam is likely to become a high-quality food supplier for Japanese consumers. The figure could surge to US\$1 billion by 2025.

Last year, the group imported Vietnamese goods worth nearly US\$250 million for sale in its malls in Japan.

AEON aims to make a positive contribution to Vietnam's social security, he said.

On the same day, the prime minister also received Japanese Ambassador to Vietnam Kunio Umeda to discuss measures to promote cooperation between the two countries.

The PM asked the diplomat to express his thanks to his Japanese counterpart, Shinzō Abe, for inviting him to attend the 2019 G20 Osaka summit, the 14th meeting of the Group of Twenty, and visit the Northeast Asian country later this month.

The trip will be made at a time when the extensive Vietnam-Japan strategic partnership is flourishing in various spheres, he said.

Ambassador Umeda said that Japanese businesses plan to expand investment in Vietnam, a country with great potential that is creating conducive conditions for investors.

He also pointed out several problems in bilateral cooperation that need to be addressed, such as those related to education, training, investment and trade.

In response, the PM suggested the ambassador coordinate with Vietnamese authorities to ensure that his upcoming visit to Japan will reap the best possible outcomes, thereby lifting the countries' cooperation efforts to new heights in all fields, including the economy, trade and investment.

As partners, the two sides have great political trust in each other, the leader said, adding that he also welcomes stronger people-to-people and cultural exchange.

PM, Japanese Ambassador discuss Vietnam-Japan ties.

5. VAMC to continue settling bad debts through special bonds

In its business and investment plan for the 2019-2023 period, the company revealed it is trying to speed up the purchase and sale of bad debts, reported *Thanh Nien* newspaper.

Credit institutions whose NPLs account for over 3% will receive special bonds with values governed by the State Bank of Vietnam.

VAMC intends to settle its existing NPLs by late 2020; bad debts purchased according to market

prices and those involving special bonds will be settled from 2021 to 2023.

Under its plan, the company aims to buy NPLs at market prices totaling VND4.5 trillion (US\$193 million), and will settle NPLs worth VND50 trillion (US\$2.1 billion) this year.

Similarly, the company will issue VND60 trillion worth of special bonds, purchase NPLs worth VND8.4 trillion in line with market prices and recover VND21.72 trillion worth of bad debts next year.

VAMC said it will prioritize the purchase of high-value NPLs. The move is intended to lower its

6. The future of homestays in Viet Nam

According to the General Statistics Office, last year 15.6 million international visitors came, 2.7 million higher than in 2017. Nearly 7.3 million have arrived in the first five months of this year.

Many opt for vacation rentals and homestays because they find it cheaper than traditional accommodation at hotels.

Besides, it enables them to experience living together with locals and so has become a popular choice, especially among young people who like to travel and explore cultures and eat, live and work with homestay hosts.

Thanks to its many advantages, homestay tourism is also increasingly preferred by foreign tourists and also many Vietnamese, especially younger tourists.

The homestay and vacation rental business models are growing as a result.

Seeing their potential, many Vietnamese are renovating their houses and turning them into accommodation targeted at young local and foreign visitors.

According to tourism sector insiders, the homestay business appeared in Viet Nam a few

management, oversight and inspection costs for borrowers, as well as reduce collateral for the company.

To achieve these targets, the company will seek the prime minister's permission to raise its charter capital from the current VND2 trillion (roughly US\$86 million) to VND5 trillion (US\$215 million) in 2019, and to VND10 trillion in 2020.

It also wants to mobilize capital from individuals and organizations at home and abroad, and cooperate with local and international investors to restructure, purchase and sell enterprises during the NPL settlement process.

years ago but has only become popular across the country in the last two years.

A report from Viet Nam National Administration of Tourism said in 2017 Viet Nam had 1.76 million homestays with 12.94 million rooms.

They accounted for 10.1 per cent of the country's total accommodation facilities.

But many tourism experts dispute these figures saying they are incomplete and the actual number must be much higher.

According to market research firm AirDNA, the number of Ha Noi homestays topped 11,200 as of the middle of last year while in HCM City it was over 20,000 after increasing quite rapidly in the year or so before that.

As of August 2018 the two cities had 21,994 properties on Airbnb. The average rental was around \$36 per room per night in Ha Noi and \$44 in HCM City.

Trinh Thanh Hung, the owner of a villa in HCM City he offers as vacation rental, said he earns VND200 million (\$8,564) a month in revenue.

The rent for a room at the villa is relatively high at VND1.2 -1.6 million (\$51 -8) per day, he said.

Phan Thi Man Chi, owner of the Nam Thi Homestay in Tien Giang Province's Cai Be Town, said she earns around VND20 million a month. The average price of a room is VND900,000-1 million per night.

It is quickly becoming popular because developing it involves little difficulty on the part of house owners, especially if they are young and tech-savvy.

They can easily advertise their services at no cost on social media and a myriad of other platforms.

Some market observers said the success of homestays and vacation homes depends on digital marketing and so it is not just about investing in a property but embracing technology.

This explains why most homestay investors are young people who are not fazed by the latest technologies.

Is the business really profitable?

Many tourism experts are of the opinion that it might be profitable in the short-run but not in the long-run since this model mainly caters to adventure tourists, whose tastes are constantly changing.

According to Vina Retail, many young people seem to think it is as simple as having a house or apartment and renting it out whereas this business model involves a lot of different factors and if they fail to work things out carefully, they could lose heavily.

In fact, many young investors have suffered severe losses in the early stages and even wound up because of unexpected expenses and lack of tenants.

Nguyen Thuy Trang rents out a house with a garden near the forest in the coastal district of Can Gio for VND8.5 million (\$364) a month.

She said she runs the business herself and only hires cleaners so that costs are not so high. But it was very hard for her to find guests during the rainy season, which lasts nearly six months in a year.

"I have to find a way to make up for it during the dry season," she said.

Villa owner Hung said the cost of running the vacation home is quite high. His staff wages are VND20 million a month, while his income could be as low as VND30 million during the off-peak season from November to March.

Experts said the demand is very high now and so the market is likely to flourish for the next three to five years but it is fragmented and needs times to develop. Profit margins in the business are not high compared to traditional accommodation services such as hotels and condotels, they said.

M&A deals likely to be further controlled

All mergers and acquisitions (M&A) deals by large enterprises are likely to be required to be reported to authorities.

This is included in a draft decree to guide the Competition Law from the Viet Nam Competition and Consumer Protection Authority.

Article 13 of the draft decree requires enterprises to notify the national competition authority about economic concentration activities they intend to pursue such as M&A deals and share purchases.

The four instances when notification is mandatory are when the firm's total assets amount to VND2 trillion (US\$85 million) or more; its revenues are VND2 trillion or more; the value of the tentative M&A deal is at least VND1 trillion; and the combined market share after the acquisition amounts to 20 per cent.

The decree gives the competition authority 30 days from the date of receiving the communication to announce its preliminary verdict to either allow the M&A deal or subject the firms to an official appraisal.

If the authority fails to make the announcement, the firms are automatically permitted to go ahead with their M&A transaction.

The M&A scene in Viet Nam has become increasingly active, with more and more local enterprises setting up ties with global partners as

a strategy to expand their global reach or foster their growth at home.

Vietnamese corporations signed M&A deals worth US\$9.9 billion last year, a 160 percent jump from a year earlier.

Over the last few years such deals appear to have resulted a win-win situation for both the Vietnamese companies and their foreign partners.

7. Japanese firm to build coffee processing plant in Vietnam

This will be the second coffee processing plant of the Japanese firm following another one in Brazil.

Construction of the plant is scheduled to begin in 2020, with an initial capacity of 16,000 tonnes of products/year. Marubeni said it would double the capacity of its plant after the facility becomes operational.

According to Nikkei Daily, the demand of coffee in Southeast Asia and China has increased over 5 percent along with the rise of the middle class.

By establishing a processing plant in Vietnam - the second largest exporter and producer of coffee in the world after Brazil - Marubeni hopes to have a stable supply for producing and exporting coffee to Southeast Asian markets and China.

Corporate News

8. STK: Resolution on the termination of cooperation agreement

↓ -2.13%

On June 19, 2019, the Board of Directors of Century Synthetic Fiber Corporation approved to

terminate the business cooperation agreement with E.Dye Vietnam Joint Stock Company and the investment project “Color Fiber Production Project in Cu Chi”.

9. Stock market briefs on June 21, 2019

↑ 6.86%

Nguyen Thanh Son, former board member at Seaprodex Refrigeration Industry Corporation (SRF), will be selling 6.5 million SRF shares from June 20 to July 17 to cut his holding in SRF to some 1.3 million shares. Earlier, he failed to sell the said volume of shares between May 16 and June 14.

as the ex-dividend date to pay the 2017 cash dividend of 2% to its shareholders. The payment will be made from July 24.

HCMC - Travel Investment and Seafood Development Corporation (DAT) has chosen June 24 as the ex-dividend day to pay the 2018 dividend of 5% in shares, which means DAT will issue over two million new shares.

HCMC - Dao Thi Hai Yen has become a large shareholder at Saigon Machinery Spare Parts JSC (SMA) after she bought over 2.14 million SMA shares, or an 11.27% stake. She owned no SMA shares prior to this acquisition.

HCMC - Sai Gon Thuong Tin Real Estate JSC (SCR) has approved a plan to issue VND300 billion worth of bonds in a private placement at a par value of VND1 billion each. The 36-month bond is scheduled for issuance in July.

HCMC - The management of No Va Land Investment Group Corporation (NVL) on June 19 passed a plan to invest an additional VND200 billion in Nova Saigon Royal Co., Ltd to raise NVL's holding to more than VND520 billion, equivalent to a 99.99% stake, in the latter.

HCMC - BZZ Investment JSC, a large shareholder of GTNFoods JSC (GTN), offloaded all its 17.5 million GTN shares, or a 7% stake, via put-through deals on June 4.

HANOI - The management of SARA Vietnam JSC (SRA) will present a business plan for 2019 at an upcoming general shareholder meeting, with revenue targeted at VND350 billion, down 11% year-on-year, and after-tax profit at VND110 billion, up 5% against the 2018 figure.

HCMC - Cuu Long Petro Urban Development and Investment Corporation (CCL) has chosen June 27

HANOI - Nguyen Thi Thuy, board member at Thuong Phu Coffee JSC (CTP), could not offload her entire 1.045 million CTP shares, or an 8.64% stake, from May 15 to June 14 as previously registered.

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