



# VIETNAM DAILY NEWS

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**Table of content**

## **Table of content**

- 1. Blue-chip stocks behind VN-Index rise**
- 2. Vietnam reaffirms labor commitments to facilitate EVFTA signing**
- 3. Vietnam shivers as China's steel capacity glut returns**
- 4. Lotte Food launches Vietnam-only baby formula Nubone**
- 5. World Bank suggests reducing rice-growing areas in Mekong Delta**
- 6. Japan brings three-decade experience to help Vietnam develop equity market**
- 7. CAV: Setting up a Branch**
- 8. D2D: Record date for stock issuance to raise capital**

## Market Analysis

### 1. Blue-chip stocks behind VN-Index rise

However, the market failed to reach the resistance level of 965 points as it came under selling pressure.

The VN-Index of the Hochiminh Stock Exchange closed at 962.85 points, up 3.65 points, or 0.38%, against the previous trading session, with 115 stocks gaining and 166 others losing.

The southern market saw nearly 150.3 million shares worth VND3.39 trillion transacted, down 27% in volume and 37.8% in value. Of these, block deals accounted for 36.82 million shares worth over VND843.61 billion, including 10.31 million shares worth VND176.32 billion of lender EIB, and 5.27 million share valued at VND94.86 billion of sugar company SBT.

Among blue-chip stocks, lender VCB, leading property developer VIC and its housing affiliate VHM edged up 2.82%, 1.27% and 1.66% at VND73,000, VND79,500 and VND116,400, respectively.

Other stocks such as consumer goods producer MSN, retailer VRE and lender TCB also picked up some 1%.

Meanwhile, dairy firm VNM slid 1.91% to the lowest level of the day, at VND123,100 per share. VNM was one of the stocks that arrested the market increase.

Most of the oil and gas stocks also edged 1-1.1% lower, such as GAS and PLX.

Construction firm ROS ended the day at VND30,000 per share and still led the southern bourse by liquidity with 11.56 million shares changing hands.

On the northern market, the HNX-Index dropped 0.07% to 104.78 points as many blue-chip stocks came under selling pressure.

There were 21.33 million shares worth VND261.61 billion traded, down 1.57% in volume and 17.7% in value versus the previous session.

Block deals amounted to over 3.6 million shares with a total value of more than VND55.85 billion. Of which, healthcare service provider OCH contributed 2.46 million shares worth VND17.23 billion, and industrial firm VCS, 358,000 shares worth VND22.19 billion.

Among the top 10 stocks by market capitalization, only detergent and chemical firm DGC picked up a slight 0.71% at VND28,200. The remainder closed at their reference prices or declined.

Liquidity on the market remained modest with only five stocks having matching volume of over one million shares each, including gas firm PVS with 2.61 million shares, lender SHB with 2.29 million shares, property firm HUT with 1.67 million shares, lender ACB with 1.42 million shares and garment company MPT with 1.2 million shares.

## Macro & Policies

### 2. Vietnam reaffirms labor commitments to facilitate EVFTA signing

Vietnam is making more steps to fulfil its commitments regarding the implementation of core conventions under the International Labor Organization (ILO), according to Dao Ngoc Dung, minister of Labor, Invalids and Social Affairs (MOLISA).

Dung made the statement during his trip to the EU and Belgium last week to facilitate the signing of EU – Vietnam Free Trade Agreement (EVFTA), Vietnam News Agency reported.

During his two-working days in Brussels, Dung had meetings with Vice President of the European Commission responsible for Jobs, Growth, Investment and Competitiveness Jyrki Katainen, EU Trade Commissioner Cecilia Malmstrom, Chairman of the Committee on International Trade under European Parliament Bernd Lange, Director General of Employment, Social Affairs and Inclusion Joost Korte, and Belgium's Deputy Prime Minister and Minister of Economy and Employment Kris Peeters.

Dung's meetings with key figures in EU were focused on Vietnam's labor commitments in the chapter of Trade and Sustainable Development under the EVFTA, which is a key point that both parties must resolve before the signing and ratification of the deal.

Dung informed that the National Assembly (NA) of Vietnam ratified the ILO convention No.98 on June 14, while the government is expected to submit to the NA two other ILO conventions, No. 105 and 87 in 2020 and 2023.

Dung said under the NA's Resolution No.57, the revised Labor Code, which is on track for NA's ratification in 2019, would be integrated with ILO's core conventions and Vietnam's international commitments on labor.

Vietnam gives priority to sustainable development and inclusive growth, Dung stated, adding the government puts the people at the center and being the main beneficiary of the economic development process.

The EU and Belgian officials highly regarded Vietnam's efforts, especially the ratification of ILO's convention No.98 and the revising of the Labor Code.

The European Council is scheduled to hold a meeting on June 25 and authorize the European Commission to sign the EVFTA with Vietnam at the soonest time possible.

### 3. Vietnam shivers as China's steel capacity glut returns

Formosa Ha Tinh Steel, or FHS, said the trade fracas could push more inexpensive Chinese-made steel products into Vietnam, Southeast Asia's biggest steel consumer, and cause prices to tumble.

Overall, Vietnam is seen as a beneficiary of the trade war, but FHS's dilemma shows that the country's industries could suffer.

Formosa Plastics, a Taiwanese plastics manufacturer, owns more than 70% of FHS, with

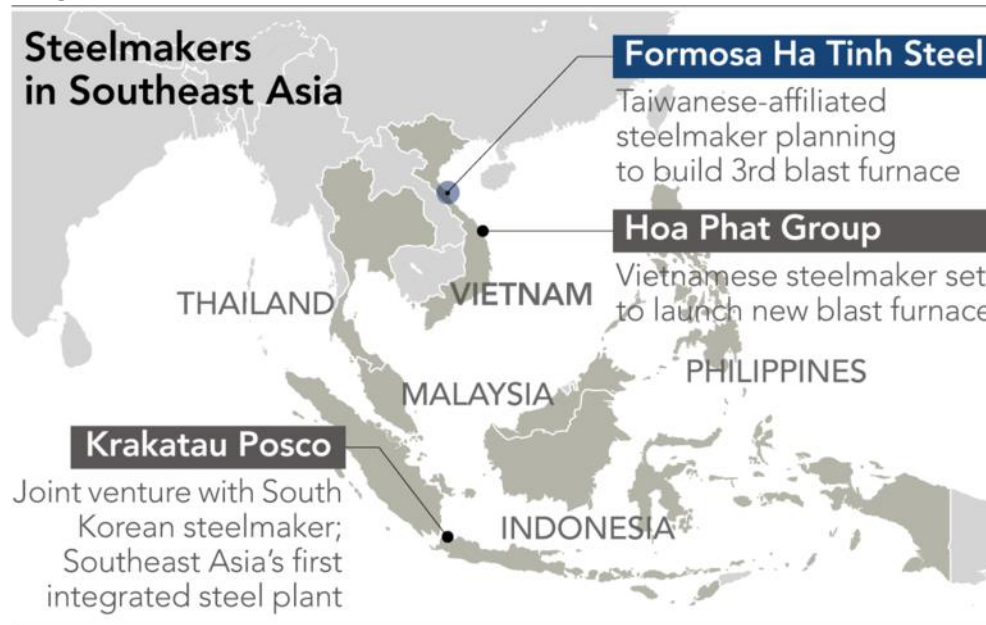
Taiwan's China Steel holding 20% and Japan's JFE Steel 4%. FHS operates Vietnam's only integrated blast furnaces, in the central Vietnamese province of Ha Tinh.

The first blast furnace went into use in 2017. The second followed a year later.

The Ha Tinh plant is now capable of producing 7.1 million tons of crude steel per year.

With a goal of becoming Southeast Asia's largest integrated steelmaker, a distinction currently held by Krakatau Posco in Indonesia, FHS had planned to start building another blast furnace in or after

2020 to boost its capacity to more 10 million tons near term and to 22.5 million tons in the long term.



"We will carefully examine the plan as uncertainties are growing over the outlook of the U.S.-China trade war," FHS Chairman Chen Yuan-cheng said in an interview with Nikkei. FHS will decide when to begin building the blast furnace by the end of the year through talks with its three shareholders and the Vietnamese government, he added.

FHS, which had been steadily expanding production, is now assuming a cautious business stance due to the trade war uncertainties.

In China, steel prices are on the wane as an economic slowdown weakens demand. As a result, concerns are emerging that the global steel industry will again find itself with excess capacity and lapse back into decline, a fate it escaped several years ago.

Vietnam imports more than 8 million tons of hot-rolled coil per year, 40% of which comes from China. With no import tariffs on the product, inexpensive Chinese coil keeps arriving.

Hot-rolled coil in Vietnam is currently quoted at \$500 per ton, down 10% from a year ago,

according to FHS. Prices will drop further if imports from China increase. For FHS, this would result in a drop in earnings, even if it were to increase sales.

"Competition with imports is intensifying," Chen said.

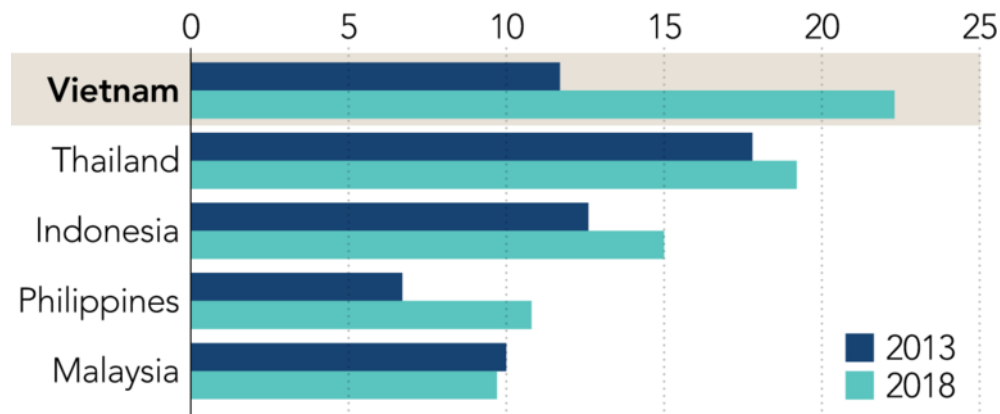
FHS is thought to be planning to construct two blast furnaces equivalent to its existing furnaces in terms of capacity. The total cost, including related expenses, could climb to \$4 billion. Once a blast furnace starts operating, it cannot be readily halted. Therefore, FHS intends to carefully gauge how much longer the U.S.-China trade war will last.

As Vietnam's economy has grown, so too has its demand for construction materials, making the country Southeast Asia's largest consumer of steel. Vietnam in 2016 surpassed Thailand in apparent steel use, which represents the consumption of finished steel products in a country. In 2018, it went through 22.3 million tons of steel, up 3% from the previous year.

On a per capita basis, Vietnam consumes some 240 kg of steel a year, four times more than Indonesia. With reinforced-concrete houses popular in Vietnam, "solid homes using lots of iron are preferred, compared with neighboring countries," an official of a Japanese trading house said.

Vietnam's economy continues to grow at a faster pace than those of neighboring countries, with gross domestic product maintaining an annual pace of 6% to 7%. Investment in urban railways and other pieces of infrastructure is up sharply. And foreign companies keep opening manufacturing bases in the country, resulting in more steel being consumed.

### Steel use by major Southeast Asian nations (in millions of tons)



Output plus imports, minus exports  
Source: South East Asia Iron and Steel Institute

The supply of steel products for automobile production is also expected to grow. Vingroup on Monday began selling cars designed and made in Vietnam. The big conglomerate, which has yet to set up a full-scale auto-making plant, initially intends to produce 250,000 vehicles per year. It hopes to raise that figure to 500,000 in the future, but then it would likely need a factory to produce high-quality steel sheet.

In expectations of the country's demand for steel to increase, Hoa Phat Group, a leading Vietnamese steelmaker, will begin operating a blast furnace with an annual capacity of 1 million tons in the central province of Quang Ngai, possibly later in June. Hoa Phat plans to increase capacity to 4 million tons next year.

When FHS's planned capacity increases are completed, the two companies combined will be

able to produce around 26.5 million tons, equivalent to nearly 30% of Japan's crude steel capacity (Japan has the world's third largest crude steel capacity).

Early this century, the global steel industry was shaken by plummeting prices, the result of China dumping steel on the market. China would eventually account for 50% of global steel production.

Although China has reduced its steel capacity, it is again looking to overseas markets to soak up products as domestic demand wanes in reaction to the U.S.-China trade war.

Inexpensive shipments from China are destabilizing global markets once again.

#### 4. Lotte Food launches Vietnam-only baby formula Nubone

Nubone is an export-only product aimed at children age 6 and under and will be sold exclusively in Vietnam.

The product has been manufactured through Lotte's Syn-Biotics system, which adds both probiotics and pre-biotics to aid the baby's digestion and growth, the company said.

The products will be exported to Vietnam and sold via Viet Australia after being manufactured in Lotte Food factory in Hoengseong in Gangwon Province.

Viet Australia is one of Vietnam's largest baby product companies, and sells over a million cans of baby formula annually through various distribution channels including hospitals,

pharmacies and baby products stores, according to Lotte Food.

Through the new product Nubone, Lotte Food says it expects to increase its sales in Vietnam to 5 billion won (\$4.3 million) by 2020. The company currently sells baby formula With Mom and Kid Power A+ in Vietnam. The company's baby formula sales came to 1.5 billion won as of last year.

“There is huge growth potential in the Vietnamese baby formula market as Vietnam's annual birth population amounts to 1 million (babies), about three times higher than in South Korea,” said Lotte Foods CEO Cho Kyung-soo, adding that the company would additionally launch baby formula products to expand its presence there.

#### 5. World Bank suggests reducing rice-growing areas in Mekong Delta

The World Bank (WB) has suggested Vietnam scale down paddy cultivation in the Mekong Delta to reduce the environmental impact, and at the same time promote high quality and special rice strain farming.

The remaining land will be utilized to grow other high-valued crops that are adaptable to climate change, expert Pham Hoang Van from the WB said at the panel on restructuring agro-industry to adapt to climate change in the Mekong Delta, part of a conference on climate resilience and sustainable development of the Mekong Delta region taking place in Ho Chi Minh City earlier this week, Tuoi Tre reported.

According to Van, the Mekong Delta and Vietnam, in general, have achieved considerable growth in agricultural production thanks to increased spending on environmental protection.

The region's agriculture growth has so far relied on expanding production or improving land use and other natural resources. However, the intensive application of fertilizer and other agricultural chemicals has brought about adverse effects on the environment including deforestation, soil degradation and water pollution.

Additionally, there is still a gap between agricultural and non-agricultural income as well as increasing inequality of income in rural areas.

Most Vietnamese agricultural products are sold in raw form and regularly placed in the low or medium quality segment in the international market.

Therefore, the Mekong Delta's agro-industry should boost the value and reduce the inputs or “produce more with less”, in other words, this industry must bring benefits to the manufacturers,

consumers and the ecology as well by minimizing the use of soil, water, labor forces, fertilizer, chemicals and energy and reduce greenhouse gas emissions, pollution and waste.

According to Van, Vietnam needs to cease to portray itself as a low-cost goods provider in order to move towards a sustainable position in the market as a reliable supplier of high quality and safe products.

## 6. Japan brings three-decade experience to help Vietnam develop equity market

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Under the framework of the JICA-funded project named "Capacity Building on Improving Fairness and Transparency of Vietnamese Equity Market", JICA's strong team of top Japanese experts from Japan Exchange Group, Daiwa Research Institute and Nomura Research Institute provide support directly to the State Securities Commission of Vietnam (SSC) and the two stock exchanges in Hanoi and Ho Chi Minh City.

The project is hoped to bring the best international practices to Vietnam. Among the supporters, the Japan Financial Services Agency (JFSA) has demonstrated "History and restructuring of Japanese securities market since 1980s" which could lay many lessons learnt for Vietnam.

JICA Chief Representative in Vietnam Konaka Tetsuo said at a seminar in Hanoi last week that in the financial sector, JICA has conducted a series of projects on state-owned enterprises, promoting competitive policies, and taxation reforms.

In the coming years, Vietnam needs to improve the fairness and transparency to make the equity market attractive to investors and an open capital market for businesses, he said.

Kawabe Eiichiro, deputy commissioner for International Affairs at JFSA, said Japan will share both effectiveness and shortcomings with Vietnam since late 1980s when Japan experienced financial

bubbles with non-transparent transactions, rising loans, debts, and land prices.

After experiencing a plunge in the prices of stock and land in 1989, Japan realized the need to develop a stable financial market.

Accordingly, it focused on improving legal framework that aims to prevent risk from indirect credit (bank loans) and allocate capital in different industries of the economy; to supervise the market to ensure transparent transactions by investigating non-transparent deals and punishing those deliberately infringe laws.

The establishment of the Japan Securities Depository Center (JASDEC) has contributed more to the improvement of the stock market, gaining investors' trust, said Kawabe Eiichiro.

Therefore, the official produced some approaches to boost the equity market.

**Firstly:** the establishment of self-management organizations which are formed in cooperation between the stock exchanges and businesses (for example Japan Securities Dealers Association) issues regulations on preventing violations and protecting investors. In addition, they analyze symptoms of violating transactions and report to the stock exchanges.

**Secondly:** digital measures, for example AI helps the watchdogs disclose information posted on social networks which may affect investors' decisions. In short, by applying informatics technology, authorities are able to improve supervising ability, train qualified manpower, and store more data, helping avoid unfair deals.

**Thirdly:** operating stock exchanges smoothly aims to ensure the liquidity and reasonable prices in the market which are considered important

missions to keep the economy on the right track.

Accordingly, the Tokyo Stock Exchange (TSE) came into being in 2013 when the Tokyo Stock Exchange merged with Osaka Securities Exchange. It operates with regulations and requirements required for stocks listed in four sections namely First Section for large companies, Second Section for medium-sized companies, Mothers section for high-growth and emerging startups begun in 1999, and Jasdaq Section.

The classification gives a boost to companies which are trying to list in the higher markets as a way to raise their value.

**Fourthly:** Japan plans consolidation of stock and commodity exchanges. The timeline is scheduled for 2020.

Accordingly, Japan Exchange Group and the Tokyo Commodity Exchange are eyeing an integration

that would consolidate securities and commodities futures trading, allowing the combined unit to join the ranks of the world's leading marketplaces, according to Nikkei.

Trading a wide variety of products on a single exchange would improve convenience for investors and attract more participants to the market, which in turn would improve liquidity and enable more flexible trading.

By running a common market, it also aims to publicize listed companies' information in an exact and understandable for investors. In addition, they aim to provide non-financial information like business administration and business plans.

**Fifthly:** the country has set focus on business administration to raise their value and therefore boost the availability of capital flows for the economy, Kawabe Eiichiro noted.

## Corporate News

### 7. CAV: Setting up a Branch

↓ 0.38%

Vietnam Electric Cable Corporation has set up a branch as follows:

- Name of branch: Branch of Vietnam Electric Cable Corporation – Cidivi Mien Bac.
- Address: Block D1-3, Dai Dong Industrial Park, Hoan Son commune, Tien Du district, Bac Ninh province.

### 8. D2D: Record date for stock issuance to raise capital

↑ 1.93%

On June 21, 2019, the Hochiminh Stock Exchange issued Announcement No.902/TB-SGDHCM about the record date of Industrial Urban Development Joint Stock Company No.2 as follows:

Ex-right date: July 04, 2019

Record date: July 05, 2019

Reason & purpose: to issue shares for capital increase from the owner's equity.

Content:

- Exercise ratio: 1:1 (Shareholder who owns 01 share will receive 01 new share).
- Expected issue volume: 10,654,984 shares
- For example: At the record date, shareholder A owned 101 shares. With 1:1 performing ratio, the shareholder A will receive: 101/1 = 101 shares. According to rounding policy, the shareholder A receives 101 new shares.
- 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 Industrial Urban Development Joint Stock Company No.2.

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