



# VIETNAM DAILY NEWS

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**Table of content**

## **Table of content**

- 1. Hopes of strong rearty earnings buoy VN stocks**
- 2. Multiple Japanese firms seek investment opportunities in Danang**
- 3. Vietnam Moves to Ease U.S. Tension With Trade, FX Monitoring**
- 4. US technology consulting firm makes Viet Nam entry**
- 5. Vietnam to crack down on steel of fraudulent origins**
- 6. China receives nearly three-quarters of Vietnam's vegetable, fruit exports**
- 7. Vietnam steps up share sale plans to foreign investors**
- 8. Moody's upgrades two VN banks' ratings**
- 9. Credit growth expanded 7.33% in H1 2019: SBV Governor**

## Market Analysis

### 1. Hopes of strong realty earnings buoy VN stocks

The benchmark VN-Index on the Ho Chi Minh Stock Exchange inched up 0.24 per cent to close at 975.34 points.

The benchmark index hovered around Thursday's closing level of 973.04 all day before being buoyed in the final minutes of trading.

The VN-Index increased by 1.32 per cent on Thursday. The index advanced a total of 2.67 per cent this week.

Trading liquidity dropped sharply on Friday compared to Thursday with nearly 138 million shares being traded, worth VND3.4 trillion (US\$147 million).

Property stocks supported the market as investors hope for positive quarterly earnings reports.

According to real estate consultancy firms, the Vietnamese real estate sector showed better performance in the first six months of the year.

“Vin” stocks led the uptrend. Vingroup (VIC), Vincom Retail (VRE) and Vinhomes (VHM) all rose by between 0.2 per cent and 2.9 per cent.

The three stocks contributed to the 0.06 per cent growth of the large-cap VN30-Index, which touched 880.23 points at the end of the day.

The VN30-Index tracks the movement of the 30 largest stocks by market capitalisation and trading liquidity.

Securities stocks also advanced. The stock brokerage sector index was up 0.5 per cent, data on vietstock.vn showed.

Among the gainers in the securities industry were FPT Securities (FTS), Viet Capital Securities (VCI),

HCM City Securities (HCM) and SSI Securities Corp (SSI).

Other sectors that performed well included seafood processing, construction and building material production – which benefited from the strong gains of big real estate firms.

On the other hand, stocks in energy and petroleum, technology, rubber and plastic production, healthcare and pharmaceuticals declined.

According to MB Securities Co (MBS), global investors were waiting to see how US stocks would move after the US government released employment figures later in the day.

The numbers would have an impact on possible Fed interest rates cuts at its month-end meeting, MBS said in its daily report. Weaker job data might encourage the Fed to lower interest rates to drive growth it said.

A meeting between US and Chinese officials next week also weighed on market sentiment, MBS added.

On the Ha Noi Stock Exchange, the HNX-Index was up just 0.04 per cent to finish the week at 104.38 points.

The HNX-Index gained 0.9 per cent in total in the last three trading days.

The northern market index ended up 0.84 per cent higher than the end of the previous week.

More than 23.4 million shares were traded on the northern bourse, worth VND287 billion.

## Macro & Policies

### 2. Multiple Japanese firms seek investment opportunities in Danang

This was the first time that a delegation of potential Japanese investors took a charter flight to the city, co-organized by the municipal Department of Foreign Affairs and Brain Works, said Nguyen Cong Tien, deputy director of the department, at the 66th EGA business conference on July 4 in the city.

The fact that Danang tops the list of the most popular overseas investment destinations among Japanese firms has provided a reference for others to consider additional investments in this city, according to many active Japanese firms in Vietnam and those visiting the city for the first time.

Japanese investors usually focus on such fields as hi-tech, technologies for elderly people, tourism services, and property, when they plan to invest in the city.

Tsuyoshi Yamamoto, chairman at Jibanet Holdings, said he looks to invest in residential projects, worth a total US\$3 million in the next five

years, to serve Japanese experts and employees working in the central city.

Noboru Kondo, general director of Brain Works, said he earlier brought many Japanese firms to make investments in Hanoi, HCMC, and Can Tho. He expected that several companies, after this trip, will invest in the city.

For the city's side, Nguyen Cong Tien pinned his hopes for investment by Japanese firms on three industrial park projects with a combined 1,000 hectares of land in Cam Le District and outlying Hoa Vang District.

The department will collaborate with other agencies to operate more charter flights to bring Japanese firms to the city for studying business investment opportunities, Tien said.

EGA is an annual event taking place in many localities in Japan and Vietnam, with an aim at connecting Japanese and local businesses.

### 3. Vietnam Moves to Ease U.S. Tension With Trade, FX Monitoring

Phuc directed Vietnamese officials to pay close attention to U.S. reactions to net purchases of foreign currencies as the nation continues to build reserves. He also told officials to maintain frequent communication with American counterparts to blunt negative reactions to monetary policy, according to a transcript of a teleconference on Thursday between Phuc and government leaders.

“Attention needs to be paid to U.S. comments on net buying of foreign currencies,” Phuc said. “It is essential to maintain regular communication with

U.S. agencies so that they see the issue objectively and cautiously.”

Vietnam is coming under increasing scrutiny from President Donald Trump's administration amid a surge in exports to the U.S. and growing evidence of Chinese and other manufacturers diverting their goods via the Southeast Asian nation to bypass higher tariffs. Trump described Vietnam last week as “almost the single-worst abuser of everybody” when asked if he wanted to impose tariffs on the nation.

### 4. US technology consulting firm makes Viet Nam entry

A subsidiary of KMS Technology provides consulting services and packaged solutions in

enterprise data and analytics, AI-powered supply chain and agile software.

Through its global reach and partnership with the best software companies in the world, KMS Solutions targets organisations in Asia.

It has strategic partnerships with leading global technology companies such as GoodData, Blue Ridge Global, Infor, Tricentis and Katalon.

According to IDC FutureScape, a global provider of market intelligence, IoT, machine learning and big data are prominent technologies that force current companies to renovate, with over 75 per cent of chief information officers willing to incorporate analytics and AI into their business.

Meanwhile, software-as-a-service (SaaS), though in the nascent stage, is a fast-growing trend among enterprises in Viet Nam and expected to be adopted by more than 75 per cent of them by 2022.

KMS Technology was founded in 2009 by a team of IT veterans who were pioneers in providing software outsourcing services in the US in three main areas: software product development, tech start-up incubation and technology solutions.

Over 10 years of operation, KMS Technology has grown to more than 1,000 staff in Viet Nam and the US.

## 5. Vietnam to crack down on steel of fraudulent origins

The country will continue to "cooperate and dialogue with the U.S. to protect the rights and benefits of businesses in accordance with World Trade Organization (WTO) regulations and agreements," Foreign Ministry spokeswoman Le Thi Thu Hang said at a press briefing Thursday.

The U.S. Department of Commerce on Tuesday slapped duties of up to 456 percent on some steel products imported from Vietnam which it alleged were made in South Korea and Taiwan.

These cold-rolled steel and corrosion-resistant steel products are only superficially processed in Vietnam, it said.

Vietnam's Ministry of Industry and Trade said it has warned local steel producers that importers could tighten their policies on trade remedies. It has suggested local firms use domestic material or import from countries which are not slapped with duties.

Vietnam is determined to tackle U.S. concerns about steel exports at the center of a new tariff row, Finance Minister Dinh Tien

Dung told Reuters in an interview through an interpreter on Thursday. "We will be determined in managing the situation, handling the violations and handling the breaches."

He added that while there would be some economic impact from tariffs, the impact in the immediate future will not be that high because steel exports are not the biggest share of exports to the U.S..

The U.S. slapped duties on South Korean products in 2015 and Taiwanese products in 2016. Since those dates through April 2019, shipments of corrosion-resistant steel products and cold-rolled steel from Vietnam to the U.S. increased by 332 percent and 916 percent, the department said.

In May last year, the U.S. had slapped duties on some Vietnamese steel products it claimed originated in China.

The Donald Trump administration has so far issued 31 anti-circumvention determinations, a 417 percent increase compared to the previous administration in the comparable period.

## 6. China receives nearly three-quarters of Vietnam's vegetable, fruit exports

Vietnam generated US\$1.76 billion from vegetable and fruit exports in the five-month period,

including US\$1.28 billion from the Chinese market.

China was followed by the European Union with US\$60.16 million, accounting for 3.4% of Vietnam's total revenue from vegetable and fruit exports and increasing 39.7% year-on-year.

The ASEAN market came third with US\$59 million, followed by the United States with over US\$58 million and South Korea with US\$55 million.

In 2013, the northern neighbor accounted for only 28% of Vietnam's vegetable and fruit export revenue. The proportion surged to 70.8% in 2016, 75.7% in 2017 and 70% last year.

The heavy dependence on the Chinese market has put local vegetable and fruit exports at risk. Vietnam's dragon fruit, watermelon and durian have recently faced price plunges as China has suspended purchases.

According to Dr. Luong Ngoc Trung Lap, an economic expert, China has tightened control over agricultural products exported to its market, especially through informal channels. As such, local management agencies need to conduct negotiations to continue the export of local farm produce to China.

## 7. Vietnam steps up share sale plans to foreign investors

The government is taking financial investment promotion in overseas markets and improving legal regulations to facilitate cross-border deals with the aim to boost the divestment from state-owned enterprises (SOEs).

According to Chairman of State Capital Investment Corporation Nguyen Duc Chi, the corporation is scheduled to privatize five state-owned enterprises (SOEs) and divest from 132 others by 2020 based on plans approved by Prime Minister Nguyen Xuan Phuc.

In the near future, SCIC will continue our divestment plans at FPT, Bao Viet Insurance, Bao Minh Insurance, Sa Giang Export & Import JSC, Tien Phong Plastics and Domesco Medical Export & Import JSC, Chi said, adding there are many lucrative and fast-growing businesses on the list as SCIC also hopes to collaborate with foreign investors in several key projects in Vietnam's development strategy, such as infrastructure, healthcare, telecommunications and IT, energy and mining.

To boost the sale, Finance Minister Dinh Tien Dung is leading a delegation to the UK's London to organize a financial investment promotion conference there in a move to provide European investors with more information about investment opportunities in Vietnamese firms.

Authorities have been also streamlining the legal framework to ease the inflows of foreign capital into Vietnamese firms.

Chi revealed that the government will launch the book-building method soon, which is closer to international practices and ensures fairer pricing for investors.

To facilitate foreign investors, the government has so far allowed them to pay their deposits in US dollars as opposed to VND as before, and the transaction can be carried out at all approved banks.

Investors now also don't have to make a public bid, and they are also allowed to submit the trading number within 15 days after the transaction date.

### Big push needed

The government's move was seen when the country's privatization and divestment progress has fallen short of the target amid the country's commitments to liberalize the state sector under free trade deals including the Comprehensive and Progressive Trans Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA).

According to the target set by the prime minister, the state had been tasked with divesting from more than 400 SOEs over 2017-2020. In 2018 alone, the state should have divested capital from 181 enterprises, followed by 62 enterprises in 2019.

However, the finance ministry said the privatization of the country's SOEs remains slow, failing to meet the plans as directed by the prime minister with only two SOEs having their share sale plans approved with total value of VND295 billion (US\$12.68 million) in the first half of 2019.

From 2016 to April 2019, 161 SOEs had share selling plans approved with total value of VND442 trillion (US\$19.11 billion), including VND206 trillion (US\$8.9 billion) of state capital, a finance ministry official he said, adding the remaining number of SOEs that must be sold is 97, accounting for 76 percent of the assigned plan.

Meanwhile, Rajiv Biswas, Asia Pacific chief economist at global information provider IHS Markit in Singapore, told the media that Vietnam's

ratification of the CPTPP and the EVFTA compels the country to liberalize the state sector.

Over the next decade, a gradual transformation and more competition for the state sector are expected in Vietnam because as these are the terms committed of the trade agreements, Biswas noted.

In order to help reach divestment targets in 2020, the government has so far required ministries, branches and localities to instruct SOEs to accelerate the divestment process.

However, experts also said the government should increase foreign ownership cap at Vietnamese firms as foreign investors often wish to buy a larger amount of shares in the firms.



## Finance News

### 8. Moody's upgrades two VN banks' ratings

Ba3 is the highest rating in Viet Nam in recent times, and the upgrade reflects the bank's improvement in terms of capital and assets as well profitability, it said.

Moody said on its website the outlook for OCB's long-term ratings remains stable, and the bank's overall liquidity is comfortable, with liquid resources representing 40 per cent of tangible banking assets at the end of 2018.

In the first quarter of this year, OCB reported growth in all segments. By the end of the quarter, its assets were up 30 per cent year-on-year to nearly VND101 trillion (US\$4.4 billion).

Profit after tax was VND536 billion (\$23.5 million), representing 135 per cent of the target.

Moody's Investors Service has also affirmed Sai Gon-Ha Noi Commercial Joint Stock Bank's (SHB)

B2 long-term local and foreign currency deposit ratings, B3 baseline credit assessment (BCA) and adjusted BCA and B1/NP local and foreign currency counterparty risk ratings, and B1(cr)/NP(cr) counterparty risk assessment.

One notch rise was based on Moody's assessment of a moderate probability of support from the Vietnamese Government in times of need.

SHB's return on tangible assets improved slightly to 0.59 per cent in 2018 from 0.54 per cent in 2017.

Revenues rose in line with loan growth and margin expansion though the improvement was offset by high operating and credit costs.

Moody's expects SHB's profitability to remain at current levels as it continues to make provisions for its large stock of problem assets.

### 9. Credit growth expanded 7.33% in H1 2019: SBV Governor

The rise was higher than that of the same period last year, when the credit rose by 6.14 per cent.

At a Government teleconference with leaders of all 63 cities and provinces nationwide on Thursday, Hung attributed the rise to the contribution from the processing and manufacturing sector as well as exports.

"We see loans in these areas have increased quite well," Hung said, adding that the lending continually focused on production and business, and the Government's prioritised sectors including agriculture and rural development, exports, parts-supply industry, small- and medium-sized enterprises (SMEs) and high-tech firms, while the capital to risky sectors, such as real estate and securities, was further controlled.

Hung also reported that the SBV managed interest rates in line with macroeconomic developments and the monetary markets, with credit institutions

applying reasonable lending rates on the basis of deposit rates and the risks of loans.

The central bank had all necessary tools to effectively control the rate, Hung said, adding since the beginning of the year, the four State-owned commercial banks – Vietcombank, Vietinbank, BIDV, and Agribank – had thoroughly followed the Government and SBV's direction in reducing interest rates for prioritised sectors. The work helped businesses lower costs and the banking system keep a stable interest rate.

According to Hung, bank loans met the capital demand for production, investment and business, with deposit and lending interest rates stable. Currently, short-term lending rates are at 6-9 per cent per year and 9-11 per cent for medium and long term. For customers with a healthy financial situation and high creditworthiness, lending rates for short-term loans are lower at some 4-5 per cent per year.

Regarding credit for animal husbandry, the Governor said the outstanding balance stood at VND51 trillion (US\$2.19 billion), of which VND1.7 trillion resulted from damage caused by African swine fever.

As for the foreign exchange market, Hung said the SBV bought a large amount of foreign currencies in the first half of 2019, pushing foreign exchange reserves recorded in the period to the highest level to date.

Hung said fluctuations in the global market in the first six months were unpredictable but proactive

and flexible measures had been taken to keep the domestic foreign exchange market stable.

During the period, the central bank's reference exchange rate for the US dollar against the Vietnamese dong was adjusted up by 1 per cent, while the rate listed at commercial banks and inter-bank rate were up by 0.3-0.4 per cent.

The SBV would continue to follow a pro-active, flexible and cautious monetary policy as well as working in close conjunction with fiscal and other policies to control inflation, sustain the macro-economy and support economic growth in the remaining months of this year, Hung said.



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