



VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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Market Analysis

1. Shares advance for second day on foreign buying

The VN-Index on the Ho Chi Minh Stock Exchange closed Wednesday up 0.47 per cent at 973.65 points. It rose 0.3 per cent in the previous session.

After rising more than 1 per cent on Tuesday, the HNX-Index on the Ha Noi Stock Exchange inched up just 0.04 per cent to end Wednesday at 105.14 points.

Liquidity declined with 183.4 million shares worth VND4.32 trillion (US\$185.5 million) being traded in the two markets, down 4.5 per cent in volume and 9 per cent in value compared to Tuesday's figures.

Foreign investors continued their buys and supported the local market.

They extended their net buying streak to five sessions in a row on the Ho Chi Minh Stock Exchange with value of nearly VND193 billion on Wednesday, up 51 per cent over the previous session. Their net buy value on the Ha Noi bourse was VND27 billion.

Oil and gas stocks topped their buys on both exchanges. In HCM City, Petrolimex (PLX) and PV Gas (GAS) were the most popular stocks with net buy value of VND67 billion and VND26.4 billion, respectively. In Ha Noi, foreign traders poured net value of VND30.5 billion into shares of PetroVietnam Technical Services (PVS).

“Foreign investors' net buying activities are a positive sign, supporting the market's recovery in the short run. However, trading volume has not improved much, showing investors still have a certain caution, refusing to buy at high prices in this period,” stock analysts at Sai Gon-Ha Noi Securities Co (SHS) wrote in a daily market report.

Oil and gas stocks were among the best performers on Wednesday, propped up by gains on world oil markets. Oil prices shot up for four consecutive sessions following escalating tensions in the Gulf.

In the local market, big companies such as PV Gas, Petrolimex, PetroVietnam Drilling and Wells Service and PetroVietnam Technical Services gained between 1.3 per cent and 2.5 per cent.

Other blue chips also gained and supported the market, such as Vietjet (VJC), Coteccons Construction (CTD) and Ho Chi Minh Infrastructure and Investment (CII) all rising by more than 2 per cent.

SHS's analysts have suggested investors pay close attention the testimony of the US Federal Reserve chairman Jerome Powell on monetary policy before Congress on Wednesday and Thursday this week as this event can cause volatility in the market.

Macro & Policies

2. Da Nang attracts \$542 million of foreign investment in H1

Speaking at the 11th session of the 9th municipal People's Council in Da Nang on Tuesday, Ho Ky Minh, vice chairman of the city's People's Committee, attributed the results to investment attraction activities organised as part of the city's policy to focus on investment this year.

He said Da Nang recently held a conference with investors in which investment registration certificates were granted for eight projects worth over \$492 million.

Local authorities have also allowed research to proceed on 11 potential projects worth nearly \$3.5 billion.

"Despite such positive outcomes, the city has failed to meet the targets in some aspects," Minh said.

For the remaining six months, the city plans to improve its business-investment promotions and management of investment in construction.

It also will speed up the progress of major projects and enhance its urban and environmental management, among other tasks.

Participants at the 11th session also reviewed socio-economic plans for the first half of the year and outlined measures to carry out tasks for the remainder of the year, resolving pressing issues such as waste, pollution, water shortages and land acquisition.

3. Binh Dinh focuses on investment in big projects in H2

Ho Quoc Dung, chairman of the provincial People's Committee, said the locality would take comprehensive measures to boost industrial development and speed up the progress of a number of projects such as the expansion of the Vinamilk Quy Nhon milk factory, the Quy Nhon beverage factory, and renewable energy projects.

The province will also complete procedures to start development of the Becamex Binh Dinh industrial-urban-service area.

In the first half of the year, the province approved investment for 20 new projects with total capital of about VND15 trillion (US\$645 million), including two foreign-invested ones worth over \$72 million.

So far, the province has hosted 78 foreign direct investment (FDI) projects with a total capital of \$724.3 million.

In the tourism area, Dung said that the province has seen an annual growth of over 20 per cent in the last three years.

In the first six months of this year, Binh Dinh welcomed over 2.6 million visitors, up 22.8 per cent year on year, including 220,000 foreigners, a rise of 49.1 per cent.

The province's tourism sector has seen great progress, with Quy Nhon City in Binh Dinh becoming an attractive tourism destination.

The province has strengthened support to investors in the tourism sector and collaborated with foreign partners in personnel training for the sector, Dung said.

In the first half of this year, Binh Dinh recorded gross regional domestic product (GRDP) growth of 6.7 per cent to VND24.55 trillion.

Its budget collection in the period reached over VND5.9 trillion, a year-on-year rise of 54 per cent.

4. Fierce competition in retail property scene

The first half of 2019 has just ended with four new retail projects at emerging locations in non-CBD (central business district) areas. As a result, the total retail supply increased by approximately 65,700 square metres to just over 930,000 sq.m.

Two new projects, Vincom Plaza Skylake and Vincom Center Tran Duy Hung, are located in the major retail clusters of Hanoi, midtown and the west, accounting for just over 60 per cent of the total supply in the market. The other new projects, Plaza Ancora and Sun Plaza Thuy Khue, added around 29,900sq.m NLA (net leasable area) to the north and the south, according to CBRE's second-quarter 2019 report.

Looking into the second half of the year, two new retail projects are expected to be rolled out with the total scale of 80,800sq.m, including AEON Mall Hadong and FLC Twin Towers, reaffirming the leading position of midtown and west as major retail clusters.

Ground floor rents in the CBD area picked up slightly in the second quarter, reaching \$100.7 per sq.m per month, up 1.6 per cent year-on-year and 0.7 per cent quarter-on-quarter. As no new supply in the CBD is expected to open this year, average asking rents in this area will continue to post positive growth in the coming year while vacancy will continue to stay as low as below 2 per cent.

Meanwhile, ground floor rents in the largest retail supply cluster midtown and the west increased to \$31 per sq.m per month in the second quarter, up 6.2 per cent year-on-year, as the market continued to see more high-quality supply from reputable developers in this area. Vacancy in these areas stood at 8.3 per cent.

On the demand side, the Vietnamese market experienced very positive consumer sentiment. Moreover, the rising effect of e-commerce and millennials' changing shopping habits are expected to reshape the future of retail in general and the local market in particular.

New shopping malls should be expected to have modern design and focus on customers' experience while bringing technology into delivery services and online platform. The active convergence of online and offline retail strategies is forecast to strengthen in the near future to boost retail sales and at the same time attract potential consumers.

Over the last time, there has been a contradictory scene of success and struggle among retail stories in Vietnam during the first half of 2019. While various food and beverage chains continued to outperform and keep expanding in the local market, supermarkets continued to see the consolidation trend with the exit of French supermarket Auchan, who sold its portfolio to locally owned Saigon Co.op.

Earlier last year, Vingroup also acquired the Fivimart chain from AEON Group, making it the supermarket leader in Hanoi. In last March, the online fashion arm of Central Group, Robins.vn was suspended, following the closure of online website *vuivui.com* operated by Mobile World in December last year.

As a result, according to Desmond Sim, head of Research, Southeast Asia, CBRE, "Technology will shape the future by focusing on customer emotions and experience, the power of prediction, building brand ambassadors, and product experts, and focusing on robotics and automation."

5. Thousands of counterfeit-suspect Honda and Yamaha motor parts seized

After an unannounced inspection, the Market Management Department of the northern province of Lang Son found that six agencies are trading 43 kinds of motor parts, confiscated and sealed 986 products that are similar to Honda and Yamaha parts and are suspected of being counterfeit goods, according to newswire Lao Dong newspaper.

After receiving a license from the Vietnamese government in 2005, Yamaha Motor Co. established its Vietnamese subsidiary, Yamaha Motor Parts Manufacturing Vietnam. Its main scope of business includes designing, manufacturing, and assembling molded parts for motorcycles including geared motors, power trains, steel parts, and cylinder engines.

Over the past years, the manufacturing and sales of counterfeit goods and other forms of intellectual property infringement have been on the rise, with increasingly sophisticated methods to avoid detection by customers and authorities alike. Annually, the Vietnam Directorate of Market Surveillance inspects, handles, and prevents tens of thousands of trade fraud and origin and intellectual property violations.

In the first six months of 2018, Vietnamese agencies detected, arrested, and handled 88,229 cases of violation, issuing fines of more than VND7.427 trillion (\$322.9 million). This included more than 5,000 cases of counterfeit and intellectual property infringements, up 117 per cent over the same period in 2017.

Counterfeit production does not stop at relatively simple electronics and parts. There are even fake

versions of Panasonic's famous air-conditioners in circulation, hinting at the technical expertise of illegal producers.

As a result, more and more foreign enterprises in Vietnam have to enlist law firms to address IP rights infringements. The large majority of IP right holders in Vietnam opt for out-of-court arrangements rather than seeking administrative enforcement, thus only a handful of IPR cases reach Vietnamese courts.

However, several companies conduct IP protection activities away from the public eye – either to save costs or because the damage by public and official action would outweigh its benefits. Such concerns can affect even the largest of corporations, like Panasonic which has been keen to display counterfeit products to draw attention to the issue at several Japanese workshops.

For example, at the November 2018 workshop on spotting counterfeit goods held by the Japanese Ministry of Economy, Trade and Industry, the Japan External Trade Organization, and the Vietnam Directorate of Market Surveillance, Panasonic Vietnam displayed numerous counterfeit products, including electric kettles, hairdryers, batteries, and irons, among others. This is aimed to prove that to the naked eye there is scant difference between original and fake – apart from the price tag: Panasonic hair dryers on Shopee.vn go from VND68,000 (\$2.96), while on the Panasonic website the cheapest hair dryers cost VND239,000 (\$10.39).

6. Vietnam logistics market likely to hit US\$87 billion in 2022

Vietnam logistics and warehousing market is likely to reach US\$86.7 billion by 2022 thanks to expanding industrial activities, growing e-commerce industry, continuous investment in infrastructure and logistics facilities, and consistent economic growth.

The logistics and warehousing market is expected to register a positive compound annual growth

rate (CAGR) of 13.3% in the 2018-2022 period, according to Ken Research – a market research and consulting company based in India and the US.

Vietnam's logistics sector is expected to escalate its way thanks to the following reasons.

First of all, a good connection amongst the urban cities where a huge share of traffic is coming from the tier 2 and tier 3 cities.

Modern technologies like enterprise resource planning, electronic data interchange, customs and accounting software, GPS, bar code system, radio frequency identification (RFID), automatic retrieval system, robotics, drones, among others are anticipated to improve the logistics services in near future.

Macroeconomics has supported the sector's growth with various free trade agreements (FTAs) signed between Vietnam and single economies or economic blocs which will boost the country's trade relations in the long term.

Additionally, foreign investments are estimated to rise strongly in Vietnam as many logistics enterprises in ASEAN countries are keen to invest and have a better understanding of the laws, customs and culture of Vietnam.

The country will focus on attracting investment in logistics infrastructure development, constructing regional and international logistics service centers, improving the efficiency of connection between Vietnam and other countries, thereby becoming a modern logistics hub in upcoming years, Ken Research said.

An overview on Vietnam's logistics sector

Vietnam's logistics and warehousing sector provides mix services including freight

forwarding, warehousing, cold chain, express delivery, e-commerce logistics, and third party logistics for end users like foods and beverages, engineering equipment, retail, electronic devices, textile and footwear, wooden products and others in Red River Delta, Da Nang, Ho Chi Minh City, and other regions.

Vietnam's freight forwarding market covers both normal and express delivery with freight movement like sea freight, road freight, air freight, and rail freight participated by international and domestic freight forwarding in flow corridors namely Asian Countries, European Countries, America and African Countries.

Vietnam's express market is formed by international and domestic express by air and ground express, and by market structure like B2C, B2B and B2C.

Meanwhile, Vietnam e-commerce market is formed by speed of delivery with two-day delivery, one-day delivery, same day delivery, within 2 hours, and others; by area of delivery such as intercity, and same region; and by payment method like cash on delivery and others.

Major players include DHL Express Vietnam, FedEx Vietnam, GHN, Damco Vietnam, Sotrans Vietnam, Vinafco, Kerry Logistics Vietnam, Bac Ky Logistics Vietnam, Nippon Express Vietnam, Vietnam Airlines, Transimex Saigon Corporation, Sea and Air Freight International, Vinalink Logistics, PetroVietnam Transport Corporation, Noi Bai Cargo Terminal Services, and others.

Corporate News

7. CMG: BOD approves to plan the private placement of shares

↑ 1.92%

On July 08, 2019, the Board of Directors of CMC Corporation approved the plan for private placement of shares as follows:

- Stock name: CMC Corporation
- Stock code: CMG
- Stock type: common share
- Par value: VND10,000/share
- Offering method: private placement
- Offering purpose: to issue shares to strategic shareholders.
- Number of shares expected to be offered: 25,000,000 shares
- Total value (based on par value): VND250,000,000,000

- Offering price: no less than VND30,000/share
- Plan of use of capital: Total proceeds from the offering of VND750,000,000,000 will be used for:
 - + To invest to the member companies: VND450,000,000,000;
 - + To invest in technical infrastructure: VND300,000,000,000.
- Offering object: Samsung SDS Co. Ltd (or Samsung SDS Asia Pacific Pte. Ltd – is subsidiary of Samsung SDS.)
- These shares will be restricted in 05 years from the finish date of the offering.
- Expected issue time: in Q2.2019 or Q3.2019 after being approved by the State Securities Commission of Vietnam (SSC).

8. Stock market briefs on July 10, 2019

↓ -0.67%

HCMC – Dabaco Group (DBC) has received approval to move its 91.1 million shares to the Hochiminh Stock Exchange from the Hanoi Stock Exchange. In 2019, the firm aims for a pretax profit of VND405 billion on revenue of VND10.4 trillion, up 3% and 53% against last year, respectively. DBC also plans to pay a cash dividend of VND500 per share and a share dividend at the 10-for-100 ratio for 2019.

HCMC – FECON Corporation (FCN) will spend VND57 billion paying a dividend of VND500 per share for 2018 on the ex-dividend date of July 15. The construction company will make the payment on August 18. The builder also plans to issue 5.7 million shares to pay a share dividend at a 5-for-

100 ratio for 2018. The issue will help FCN raise its registered capital to VND1.19 trillion.

HCMC – KIDO Frozen Foods Company (KDF), among leading ice cream producers in Vietnam, will spend VND78.4 billion paying an interim dividend of VND1,400 per share on the record date of July 25. The company will make the payment on August 8.

HCMC – Tran Dinh Long, chairman of Hoa Phat Group (HPG), has acquired over 5.5 million shares of the steel company to spur his ownership to 25.3%, equivalent to 700 million shares.

HCMC – Sao Ta Foods Company (FMC) said its revenue fell 3% year-on-year to US\$73.3 million in the first half of this year. FMC's processed shrimp output hit over 6,800 tons in the January-June

period, up 6.7% year-on-year. In June, its revenue increased by US\$2 million year-on-year to US\$14.6 million.

HANOI – Asia Commercial Bank (ACB) has got approval from the State Bank of Vietnam to issue more than 374 million shares to increase its charter capital by VND3.74 trillion to VND16.6

trillion. According to the proposed plan, ACB will use more than VND2 trillion of the total additional capital for lending, investment in government bonds, ensuring operational safety and supplementing medium and long-term capital. The remaining VND1.7 trillion will be used to purchase more assets and equipment for its branches.

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