



VIETNAM DAILY NEWS

July 17th, 2019



Table of content

Table of content

1. Earnings season cushions market sentiment
2. Gov't orders review of grid overload caused by solar farm boom
3. Pangasius exports to Southeast Asia up 14.6 per cent
4. PM calls on Singaporean firms to further invest in Vietnam
5. Industry ministry, EVN responsible in case of power shortage: PM
6. Feasibility study for Long Thanh airport project completed
7. Viet Nam: the destination of foreign capital
8. Stock market briefs Jul 16, 2019

Market Analysis

1. Earnings season cushions market sentiment

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained roughly 1 per cent to close at 982.11 points.

The VN-Index fell 0.29 per cent on Monday.

More than 174.6 million shares were traded on the southern bourse, worth VND4.52 trillion (US\$194.5 million).

Market sentiment was positive after some banks announced their quarterly and six-month earnings reports, MB Securities Co (MBS) said in its daily report.

Last week, Vietcombank (VCB) and Sacombank (STB) reported they had fulfilled 55 per cent of their full-year pre-tax profit targets.

Investors bet other banks would release good figures for their performances in the second quarter of the year.

The earnings season had begun and companies with good results often announced their numbers first to bolster market sentiment, MBS said.

Banks, Vingroup companies, food and beverage firms and retailers were expected to drive the market up, MBS added.

Banking, real estate, retail and food and beverage were the four best-performing sectors, data on vietstock.vn showed.

The four sector indices rose between 0.5 per cent and 2.3 per cent.

Leading companies in the four industries also helped boost the large-cap VN30-Index up 0.82 per cent to end Tuesday at 880.91 points.

Two-thirds of the 30 largest stocks by market value and trading liquidity in the VN30 basket advanced, including Vietcombank (VCB), Vinhomes (VHM), Vincom Retail (VRE), Vingroup (VIC), Military Bank (MBB) and retailer Mobile World (MWG).

The VN-Index returned to its uptrend, MBS said, adding expectations for good earnings reports of banks and other large-cap firms would bring the index back to its previous peak in May of nearly 990 points.

In addition, international markets also moved in positive territory after US officials said they might travel to Beijing to continue trade talks if discussions this week went well.

Foreign investors' net-buying Vietnamese stocks also supported the market. Foreign net-buy on Tuesday reached VND456 billion on the southern market.

On the Ha Noi Stock Exchange, the HNX-Index gained 0.22 per cent to end at 105.85 points.

The northern market index lost 0.23 per cent on Monday.

More than 26 million shares were traded on Ha Noi's stock market, worth VND364.5 billion.

Macro & Policies

2. Gov't orders review of grid overload caused by solar farm boom

Over the past few years, Vietnam has witnessed a boom in solar farms, helped by the introduction of the Prime Minister's Decision 11/2017 which offers incentives for solar power projects.

Under the decision, solar farms shall enjoy a feed-in tariff of 9.35 U.S. cents per kilowatt hour over a period of 20 years if they begin commercial operations before June 30.

As a result, an unprecedented number of solar farms came into operation within a short period of time to enjoy the Government's pricing incentives, leading to an upsurge in power output and thus putting pressure on electricity transmission lines.

In the first half of this year, nearly 90 solar farms with a combined design capacity of roughly 4,500 megawatts (MW) were connected to the national grid, accounting for 10% of the country's total capacity.

Thanks to their high solar potential, the south-central coastal provinces of Ninh Thuan and Binh Thuan are the most popular investment destinations, with 15 and 19 solar farms, respectively, according to Nguyen Duc Cuong, director of the National Load Dispatch Center. Their total capacity is 1,871MW.

Cuong said this boom in solar farms had caused an overload of the national grid. For example, the 110 kilovolt (kV) Thap Cham-Phan Ri line is operating at up to 260%-360% of its capacity.

If corrective action is not taken, the overload situation would further worsen in 2020, while solar power plants will have to operate below capacity, he warned.

Wind farms are also operating with restraint given the national grid overload.

Bui Van Thinh, chairman of the Wind Power Association of Binh Thuan Province, said three to five years will be needed to complete the construction of 220-500kV transmission lines, whereas a solar farm could be up and running after six to 12 months of construction.

According to the power plan, Vietnam expects to produce 850MW of solar energy by 2020, but the solar farms currently hooked up to the national grid have a total capacity of 4,500MW and the figure will rise to 11,900MW by 2020.

EVN's General Director Tran Dinh Nhan said that he has urged its member companies to accelerate the construction of 110 kilowatt lines to ensure that no solar farms will operate below capacity by 2020.

3. Pangasius exports to Southeast Asia up 14.6 per cent

Thailand was the largest market, with shipments rising by 9.2 per cent year-on-year to \$32.5 million.

Thailand's fisheries imports have risen sharply this year, especially of fish with white meat like tra.

The Philippines has emerged as one of the biggest importers, with purchases rising steadily for months, VASEP said. Tra exports to this market were worth \$19 million, a 25 per cent increase from the same period last year.

Viet Nam is the only supplier of white fish to the Philippines.

Last year, Viet Nam organised for the first time a rice and pangasius – as tra is also known -- promotion festival in the Philippines, helping popularise its pangasius.

VASEP said exports of tra to Malaysia are growing at the fastest rate in Southeast Asia.

In the first five months, pangasius exports to Malaysia were worth \$18.8 million, an increase of 47.3 per cent from the same period last year, it said, explaining that the market has huge potential.

Malaysia also imports white meat fish from China, the US, the UK, France, and others, but Viet Nam is the largest supplier.

According to many businesses, Southeast Asia is a market that needs to be paid focus on besides traditional markets such as the US, the EU, China, Japan, and South Korea.

Export target

The country's overall tra exports in the first five months were worth \$690 million, slightly less than in the same period last year, with China, the US and EU accounting for 53 per cent, VASEP said.

Exports to the US are down due to anti-dumping duties and other trade barriers while China's

changing import policies have affected shipments to that country.

However, exports to the EU increased for the first time in a long time, rising by 31.5 per cent to \$105.2 million.

Truong Dinh Hoe, VASEP general secretary, attributed the increase to businesses' efforts to ensure quality and promote their products.

According to the association, the tra export target for this year is \$2.4 billion, a 12 per cent increase from last year.

Exports to Japan, the US and China are showing signals of recovery, while exports to the EU are expected to keep increasing thanks to the EU-Viet Nam Free Trade Agreement.

In the event, it would not be difficult to achieve the export target this year, he said.

4. PM calls on Singaporean firms to further invest in Vietnam

The meeting between the prime minister and the Singaporean delegation at the Government headquarters was held by the Singapore Business Federation (SBF) and Enterprise Singapore (ESG) to seek investment and cooperation opportunities in Vietnam, *VietnamPlus* news site reported.

Speaking at the meeting, PM Phuc praised Singaporean firms for their business activities in the country, adding that Vietnam will continue enhancing global economic integration; try to stabilize the macroeconomy, politics and society; simplify administrative procedures; and make the laws more transparent to smooth the path for investments from Singaporean enterprises in Vietnam.

Apart from this, the Government will continually strive to create a favorable environment and be willing to garner feedback from Singaporean firms so that they can make long-term investments in the country, PM Phuc said.

Addressing the meeting, SBF Chairman Teo Siong Seng said that in recent years, despite global

market volatility, Vietnam has still maintained stable economic growth.

Seng confirmed that the Singaporean side will continue contributing to this growth and will strengthen cooperative ties between the two countries.

A representative of ESG forecast that Singaporean firms would work toward further cooperation with the Vietnamese side in smart city development, the fourth industrial revolution and innovation.

PM Phuc pointed out that currently, there are many opportunities for Singaporean firms to invest in Vietnam due to the close strategic partnership between the two countries and the effective economic connectivity.

In addition, the prime minister asked Singaporean firms to invest in some of the country's prioritized sectors such as infrastructure, logistics, finance and banking, information technology, electronics, education, tourism and healthcare.

5. Industry ministry, EVN responsible in case of power shortage: PM

The meeting was aimed at seeking measures to prevent electricity shortages in the years ahead, reported the Vietnam News Agency.

PM Phuc said that the industry ministry and EVN should not permit a shortfall of electricity, which could affect production and business activities and residents' lives.

Vietnam's energy sector should be self-reliant and less dependent on foreign suppliers, while the country's electricity industry should ensure transparency in the investment and production of electricity, develop power sources and power transmission systems and utilize renewable energy, according to the PM.

EVN holds primary responsibility for providing sufficient electricity, while other State utilities, such as Vietnam National Coal and Mineral Industries Group (Vinacomin) and Vietnam Oil and Gas Group (PVN), should heavily invest in power supply facilities and call for the private sector to be involved in the process.

The PM said that the execution of many important power projects, especially those of large scale that are slated for completion in 2023, has fallen behind schedule, posing a risk of electricity shortage in the 2021-2023 period.

The Government has already provided many short- and long-term solutions to resolve the issue, but the concerned ministries and agencies have yet to work closely together, leading to slow execution.

Therefore, he urged these organizations, especially the Party unit of the trade ministry and the Commission for the Management of State Capital at Enterprises (CMSC), to draw lessons from the situation.

The industry ministry was told to work with EVN, Vinacomin, PVN and CMSC to provide sufficient coal and gas for thermo-power plants so that they can bring an end to the ongoing coal shortage.

If Vinacomin cannot supply enough coal, power plants can import coal for the sake of electricity generation, according to the PM.

He urged ministries, agencies and other stakeholders in society to save electricity and use modern technology with low electricity consumption, while developing a competitive electricity wholesale market.

The prime minister requested the industry ministry and the CMSC to simplify investment procedures for power projects.

The State Bank of Vietnam should consider allowing the projects to have higher credit limits to finish on time, while EVN and Vinacomin will focus all their resources on completing them.

The PM urged ministries, agencies and local governments to create conducive conditions for power projects and remove obstacles for them.

He also agreed on the principle of buying all electricity from small hydroelectricity and solar power plants if they meet requirements to connect to the national grid.

6. Feasibility study for Long Thanh airport project completed

The FS report was completed one month earlier than the deadline stated in a contract between ACV and the consulting consortium comprising Japanese, French and Vietnamese firms, the local media reported.

The ministry will later submit the report to the Government and the National Assembly for consideration and approval at a meeting in October.

In addition to the feasibility study for the first phase of the project, the environmental impact assessment report for the first phase, issued by the consortium between the Institute of Transport Science and Technology and the Center of Environment and Applied Ecology, was completed on schedule.

This report will be considered by the State Assessment Council before being sent to the Ministry of Natural Resources and Environment.

As for the site clearance, compensation and resettlement project, part of the main airport project, the Dong Nai government is building two resettlement areas in Loc An and Binh Son communes of Long Thanh District. The province is also sending announcements to local residents to reclaim land.

An ACV representative reported that the Dong Nai government aims to complete the site clearance, compensation and resettlement work for the first

phase this year so that work on the airport project can start at the end of next year.

Under the direction of the Government and the Ministry of Transport, ACV has closely coordinated with the provincial authorities on site clearance, compensation and resettlement efforts to kick off the project on schedule.

Long Thanh International Airport, a key national project, was approved by the National Assembly on June 25, 2015. The airport will be developed to meet the 4F standards of the International Civil Aviation Organization.

The airport is designed to handle up to 100 million passengers and five million tons of cargo per year once the three construction phases are complete.

In the first phase, slated for completion by 2025, the airport will have a runway and a passenger terminal that can accommodate 25 million passengers and 1.2 million tons of cargo per year.

7. Viet Nam: the destination of foreign capital

According to Tran Van Dung, Chairman of the State Securities Commission (SSC), from 2016 to 2018, foreign investors have continuously been net buyers on the stock market at a relatively high level, averaging \$1.98 billion per year.

Foreign investors, when investing in Viet Nam's stock market, are often interested in the growth capacity of the economy in general and stocks in particular, the market size in terms of market capitalisation as well as liquidity and foreign ownership ratio, said Pham Luu Hung, Deputy Director of Investment Advisory and Analysis of Institutional Customers, SSI Securities Joint Stock Company.

"It means that they care about large-cap stocks with high potential growth and the high number of circulating stocks that foreign investors can purchase," Hung said.

According to SSC, Viet Nam's stock market has continuously developed in size and liquidity with the total market capitalisation value as of the end

of June, 2019 reaching VND4.3 quadrillion (\$186 billion), equivalent to about 78 per cent of the whole country's 2018 GDP, increasing by 11.2 per cent compared to early 2019.

After 19 years, the stock market is complete in terms of structure (stocks, bonds, derivatives) and diversification in products (stocks, bonds, fund certificates, derivatives and covered warrants).

Last year, the Vietnamese stock market was included in the watch list of the UK-based financial and business information firm FTSE Russell (FTSE) for classification review for a possible lift from a Frontier market to a Secondary Emerging one.

"Viet Nam's stock market has not only developed rapidly in quantity but also in quality," said Dung.

According to Dung, the Government of Viet Nam continues to make efforts in completing the securities market development policy, attracting foreign investment capital.

The amended draft law on securities has also been submitted to the National Assembly for comments, he said.

In March 2019, Prime Minister Nguyen Xuan Phuc approved the project "Restructuring the securities market and insurance market until 2025", aiming at a more comprehensive stock market, making it an important medium and long-term capital channel for the whole economy.

Along with the macro policies, the Government has also continued to promote equitisation and divestment of state-owned enterprises (SOEs), as well as the listing and registration of trading on the stock market.

According to Dung, with the potential of Viet Nam's stock market and the trend of financial international integration, smart cash flow will likely pour in.

However, Hung pointed out some difficulties in attracting foreign capital.

In the last 1-2 years, the development of the local stock market experienced unfavourable conditions such as the sluggish equitisation of state-owned enterprises.

"There are some cases where foreign investors are disappointed after suffering losses when participating in IPOs and divesting of SOEs," Hung said.

To attract foreign capital, the most important thing is to speed up the process of restructuring SOEs which has been very slow. Some large SOEs must be equitised in the second half of 2019, Hung said.

Do Bao Ngoc, Deputy General Director of Viet Nam Construction Securities Joint Stock Company, said to be promoted from a frontier market to an emerging market, it is crucial to enhance the fairness and transparency of the Vietnamese stock market.

"Quality of information disclosure and accounting standards also needs to be improved," Ngoc said.

Corporate News

8. Stock market briefs Jul 16, 2019

↑ 1.99%

HCMC – PetroVietnam Drilling & Well Services Company (PVD) will close its shareholder list on July 30 to issue over 38 million shares for a 2017 dividend payment at a ratio of 10%. In the first quarter of this year, its revenue dropped 18% year-on-year to over VND93 billion.

HCMC – Tien Phong Commercial Bank (TPBank) and the international payment brand UnionPay have signed an agreement on payment cooperation, making it easier for foreign tourists to pay for goods and services in Vietnam.

HCMC – Dinh Viet Thanh, deputy general director of PVC Petro Capital & Infrastructure Investment Company (PTL), has registered to buy five million PTL shares from now to August 15 to raise his stake to 19.6 million shares, equal to a 19.8% stake.

HCMC – Sao Ta Foods Company (FMC) said its pretax profit soared 40% year-on-year to VND95 billion in the first half of this year, meeting over 50% of the year's target. FMC's processed shrimp output hit over 6,800 tons during the period, up 6.7% from the previous year. The company is participating in the shrimp farming project of the Mekong Delta province of Soc Trang on 90 hectares.

HANOI – PAN Group has made a bid for 7.7 million shares of confectionery maker Bibica (BBC) to raise its ownership to 100%. These shares are currently held by South Korean conglomerate Lotte Group and other small shareholders, amounting to 49.93% of BBC's chartered capital. The Korean firm holds 44.03%. PAN Group currently owns 50.07% of the confectionery company through a subsidiary, PAN Food JSC. With a bid of VND68,500 per share, the group is expected to raise VND530 billion to fund its purchase.

Research Team: Tsugami Shoji Researcher jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn