



VIETNAM DAILY NEWS

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Table of content

Table of content

- 1. VN-Index loses ground on Jul 24, 2019**
- 2. Demand soars, but few traders cash in on organic food wave**
- 3. Imports from China shoot up in H1**
- 4. M&As in Vietnam slow down**
- 5. Vietnam wants to offer nightlife to attract tourists**
- 6. Leading brokerage firms see H1 profits drop**
- 7. DSN: Board Resolution No.03 _ Jul 19, 2019**
- 8. BVH: Board approves a training service agreement**
- 9. BMI: Change of personnel**

Market Analysis

1. VN-Index loses ground on Jul 24, 2019

The HCMC bourse saw 130 stocks gained while 184 others fell. The benchmark index ended at 988.41 points, down 1.05 points, or 0.11%, against the day earlier. Trade volume dropped 8.2% to 169.64 million shares and value fell 9.7% to VND4.2 trillion.

In block deals, some 36.8 million shares changed hands at a total value of VND1.2 trillion. Construction firm ROS saw over 7.4 million shares worth VND219 billion traded and low-cost carrier VJC had one million shares worth VND136 billion transacted.

Earlier, Bao Viet Securities Company in its daily report on July 23 said that VN-Index would improve in several sessions and the benchmark VN-Index was forecast to head toward the resistance zone between 992 points and 993 points in the next session, backed by net foreign buying.

Besides this, Viet Dragon Securities Co. said that the winning trend would continue on the main southern on July 24. However, all such predictions proved wrong as the VN-Index of the Hochiminh Stock Exchange lost ground today.

Against the prediction by Bao Viet Securities Company that bank stocks would maintain its upward trend in the short run on July 24, such securities took the downtrend. Bank stocks closed the day in the red, with lender VCB under profit-

taking pressure dipping 2.5% at VND76,900, while lender BID also ended the session down 2.3% at VND34,450 per share.

The VN30 basket saw 18 stocks losing versus a mere eight others winning. Among gainers, VIC picked up 1.8% and set a new record at VND122,000, whereas food producer MSN also gained ground. Despite their gains, the two stocks failed to save the main index from the loss.

Construction firm ROS still led the market by liquidity with more than 11.2 million shares traded, closing the session at the reference level at VND28,000.

The northern bourse faced the same fate, seeing blue chips turn volatile on July 24.

The HNX-Index of the Hanoi Stock Exchange lost 0.27 point, or 0.25%, to 106.44 points. There were over 29.37 million shares worth VND425.1 billion traded, edging up 3.3% and 2.2% against the session earlier, respectively.

Some blue chips, including lender ACB, securities firms BVS and SHS and detergent producer DGC, were the main drag of the HNX-Index.

Lender SHB was the most actively traded stock on the northern bourse with 6.61 million shares changing hands.

Macro & Policies

2. Demand soars, but few traders cash in on organic food wave

Speaking at the press briefing to introduce international exhibitions on food and beverages (Vietfood & Beverage 2019) and processing and packaging (Propack 2019), Ly Kim Chi, chairwoman of the HCMC Food and Foodstuff Association (FFA), said that the organic food wave has emerged quickly and some firms are making the most of the trend in the market.

Compared with one or two years ago, organic food is being sold more widely, Chi said, adding that despite the high demand for organic food, few firms are offering organic products.

Chi said that a mere 20% of FFA members are engaged in this field. This is a modest figure, and it is far too low to satisfy the rising number of customers demanding organic food, she said.

The organic food market in HCMC is growing fast, with the opening of a slew of specialized store chains. A variety of organic products are available at several supermarkets such as Co.opmart, Co.opXtra, Big C, Lotte Mart, and Emart.

However, as the number of large-scale firms involved in manufacturing and processing organic food is low and others operate on a small scale, the prices of organic products remain higher than what most consumers can afford, Chi added.

Some experts have said that to cut prices of organic food, the production cost needs to be slashed, and the number of firms manufacturing organic products on a large scale needs to increase.

Discussing the local food market, the FFA representative said that the food sector is growing

faster than other sectors. With over 95 million customers, the market is attracting many foreign investors and firms.

Chi said that foreign food processors have, of late, begun to dominate the market and grabbed a larger market share compared to domestic food processing firms. The trend is forecast to continue in the near future.

The city provides over 70% of the country's total food volume manufactured by firms, Chi said, adding that most of the hi-tech food firms are located in HCMC.

Therefore, the annual Vietfood & Beverage and Propack events have been attracting more and more foreign firms and multinational groups over the past few years.

Vietfood & Beverage 2019 and Propack 2019, which are expected to start at the Saigon Exhibition and Convention Center in HCMC on August 7, are being jointly organized by the Vietnam National Trade Fair and Advertising Company, the Vietnam Association of Liquor, Beer, and Beverage, and the FFA.

The exhibitions will feature 650 booths of 550 domestic and international firms, with eight pavilions for groups of enterprises from China, India, Poland, South Korea, Thailand, Indonesia, Taiwan, and Vietnam.

The exhibitors will introduce products from major subsections of the food and beverage sector, including food, beverages, food materials and additives, and equipment and machinery for producing, packaging, and preserving food.

3. Imports from China shoot up in H1

During the period, Vietnam spent over US\$23 billion importing computers, electronic products, and their parts, an increase of about 18% year-on-year. In this group, the total imports from China

reached US\$5.8 billion, up nearly 70% against last year period, *Thanh Nien* newspaper reported.

The imports of machinery, equipment, tools, and machine parts were the next highest, at US\$17

billion, a 13% increase over the year-ago period. These items were mainly imported from China, with imported turnover reaching US\$6.75 billion, up 26% versus the 2018 figure.

Meanwhile, garment and footwear materials imports from China edged up nearly 11%, accounting for over US\$5 billion of the country's total imports of US\$12 billion in this group. Vietnam also spent US\$1.2 billion to US\$1.6 billion goods from South Korea, the U.S., and Taiwan over the first six months of the year.

4. M&As in Vietnam slow down

Vietnam Investment Review (VIR) newspaper and AVM Vietnam JSC held a press briefing on Tuesday to announce the 11th edition of the forum, entitled 'Going for Breakthrough,' which is slated to take place on August 6 at the GEM Center in HCMC.

The forum will assess the M&A trends for the next few years, analyze new capital flows, opportunities, and driving forces for M&A in the country.

After a decade of strong growth, with thousands of transactions worth roughly US\$50 billion, the local M&A market has entered a new era with ample opportunities, said Le Trong Minh, editor-in-chief of VIR.

Citing statistics, Minh said the value of M&A deals totaled US\$7.64 billion last year, equivalent to 74.9% that of 2017. In the first half of 2019, M&A transactions were valued at about US\$1.9 billion, equal to 53% of the year-earlier period's value.

He also cited data from the Ministry of Planning and Investment's Foreign Investment Agency as saying foreign investors spent US\$2.64 billion acquiring stakes in local firms in the first six months of this year.

The equitization and divestment of SOEs showed signs of slowing down between early 2018 and June 2019, he said. Therefore, authorities should remove barriers to make the targets and expectations of the Government and investors achievable, he noted.

Data released by the General Department of Vietnam Customs shows that Vietnam imported goods worth almost US\$121 billion in the first half, an increase of 9% year-on-year.

Imports from China, South Korea, and Japan accounted for over 55% of the total figure. In particular, imports from China made up 30% of the total imports, reaching as high as US\$35 billion, followed by South Korea with US\$22 billion, and Japan with US\$8 billion.

At the briefing, Deputy Minister of Planning and Investment Vo Thanh Thong said that Vietnam is promoting M&A activities in tandem with the equitization of SOEs in various sectors, such as transport, infrastructure, food, agriculture, telecommunications, trade, services, tourism and construction.

Thong said recent policies, such as the revision of the laws on investment, enterprise and securities, a draft Politburo resolution on attraction of new-generation foreign investment, and the signing of some free trade agreements, are expected to spur more foreign investment, including capital flows through M&A deals.

According to Minh, the Government and relevant agencies must remain determined to make drastic changes in order to further improve the investment and business climate, and attract more domestic and international capital into the M&A market.

There remain hindrances at home and abroad to M&A activity, including U.S.-China trade tensions, slow equitization and divestment of SOEs, challenges faced by enterprises to maintain quality, the relatively small scale of the economy, and unresolved policy barriers, he added.

This year, M&A activity may reach US\$6.7 billion, Minh said. In the medium term, the scale of the Vietnamese M&A market has surpassed that seen in 2014-2016 by US\$5 billion and remains stable at US\$6-6.5 billion, with more efforts needed to reach US\$10 billion, he said.

The most exciting deals in 2018-2019 focused on the Vietnamese market of more than 96 million people, especially sectors such as manufacturing of consumer goods and real estate, he said. Notable deals were in consumer finance, retail, fisheries, logistics and education, he added.

Unlike 2017, when Vietnam attracted a huge amount of capital from Thailand through M&A,

2018 saw the dominant presence of investors from Singapore, Hong Kong, South Korea, and Japan.

For instance, the Korean-based SK Group's M&A deal with Vietnam's largest property developer Vingroup, worth billions of U.S. dollars, made up 25.6% of the total M&A value achieved between July 2018 and July 2019.

5. Vietnam wants to offer nightlife to attract tourists

Prime Minister Nguyen Xuan Phuc has ordered government agencies to study China's efforts in this area and adopt a similar model. In Beijing, shops and restaurants which open from 8 p.m. to 6 a.m. could receive a subsidy of \$70,000, and areas which operate at least 12 hours at night get \$700,000.

Nguyen Cong Hoan, deputy director of travel agency HanoiRedtours, told VnExpress International that evening is when tourists spend generously on entertainment and shopping, and therefore a nighttime policy would benefit the country.

"Major cities like Hanoi and Ho Chi Minh City have night markets, but there is demand for more activities. The country needs more restaurants, malls and entertainment areas remaining open after midnight to attract tourists."

Vietnam has been focusing on nature and cultural tourism, while recreational tourism such as theme parks, shopping centers and late-night shows still have a long way to go, he said.

Hoan pointed out this is why the rate of returning foreign tourists is low compared to countries like Thailand and Singapore. According to the Pacific Asia Travel Association, about 10-40 percent of first-time visitors to Vietnam return, while the rate is 80 percent in Thailand.

"Sightseeing attracts one-time tourists, but shopping and entertainment keep them coming back," said Hoan.

In China, night catering consumption jumped 47 percent last year from 2017, two percentage points higher than daytime growth, according to Xinhua News Agency.

Nguyen Quoc Ky, CEO of leading tourism firm Vietravel, said revenues from evening services could be much higher than in the day, but most tourism companies are focused on daytime activities, he said.

Apart from markets and backpacker areas, they do not offer tourists many other options at night, according to some tour operators.

Other industry insiders said night clubs, gaming zones and karaoke bars could be revenue spinners at night, and transport services and cross-border financial transactions should also be developed.

But some experts also expressed fears. Economist Ngo Tri Long said a nighttime economy could make drugs and prostitution more commonplace, which is the reason why the country has been reluctant to sanction late-night activities.

Thorough research is needed to see which urban areas are suitable for such policies so that locals' lives are not affected, he said.

Vietnam's GDP grew by 6.76 percent in the first half of this year, the highest rate for the period since 2011, according to the General Statistics Office. The Asian Development Bank last week forecast GDP growth of 6.8 percent for the full year, the highest in Southeast Asia.

6. Leading brokerage firms see H1 profits drop

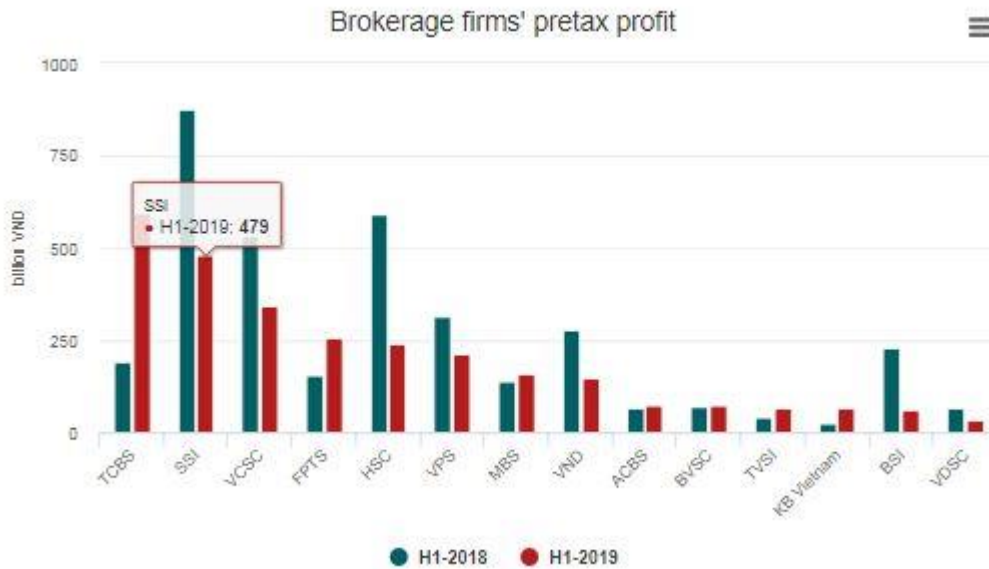
Top brokerage firm Saigon Securities Inc (SSI) saw its pretax profit in the first half of the year fall by 45 percent year-on-year to VND479 billion (\$20.56 million).

The firm's revenues dropped 20 percent to VND1.43 trillion (\$61.38 million), in which revenue from brokerage services alone fell by 59 percent.

Ho Chi Minh City Securities Corporation (HSC) reported a H1 pretax profit of VND238 billion (\$10.22 million), a 60 percent drop year-on-year.

With revenues from brokerage services falling by half, HSC posted a total revenue of VND753 billion (\$32.33 million), dropping 49 percent.

Other leading brokerages like Viet Capital Securities (VCSC) and VNDirect (VND) also reported their revenues falling by 35 and 46 percent against H1 2018 respectively, mainly because of lower revenue from brokerage services.



The firms attributed the decline to declining trading value in the second quarter. Average daily trading value in the last three months fell by 40 percent year-on-year to VND4.3 trillion (\$184.61 million), while total trading value in H1 dropped by almost 45 percent year-on-year.

"Lower trading value is the main reason for decreasing revenue from brokerage services," SSI said in a note.

But top brokerage firms' losses meant gains for others. Techcombank Securities (TCBS) posted a pretax profit of almost VND600 billion (\$25.76 million) in H1, a three-fold surge, pushing it ahead of SSI to top the profit ranking chart.

The reason for TCBS's growth is that brokerage services are not its main business. It earned more than VND750 billion (\$32.2 million) in H1 from consulting and guaranteeing bonds.

TCBS guaranteed 80 percent of bonds issued on the Ho Chi Minh Stock Exchange in the first six months. The value of these bonds was VND7.7 trillion (\$330.64 million), up 4.1 times year-on-year.

Another firm posting positive business results was FPT Securities (FPTS), which saw its pretax profit rising by 47 percent to over VND225 billion (\$9.66 million).

Foreign-investor backed firms like KB Vietnam or Yuanta also reported gains. KB Vietnam's pretax

profit tripled year-on-year, while Yuanta started reporting profits after a loss-making period.

Corporate News

7. DSN: Board Resolution No.03 _ Jul 19, 2019

↓ -0.18%

According to Board Resolution No.03/2019 dated July 19, 2019, the Board of Directors of Dam Sen Water Park Corporation approved the following issues:

The report by the Management Board regarding business performance in Quarter 2/2019 and the first six months of 2019.

Business plan for Quarter 3/2019 and the last six months of 2019.

The reports on projects: Thanh Long Winery, the enzyme and microbial technology research center.

The plan to deal with the site of DSN Pho Nuong as the request of shareholders of Phu Tho Tourist Service JSC.

8. BVH: Board approves a training service agreement

↑ 1.19%

On July 18, 2019, BaoViet Holdings approved the contents of the training service agreement

between BaoViet Holdings and Baoviet Securities Joint Stock Company.

9. BMI: Change of personnel

↑ 1.49%

Baominh Insurance Corporation announced personnel change as follows:

- Approving the resignation of Ms. Chu Thi Phuong Anh as Head of the Supervisory Board as from August 01, 2019.

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