



VIETNAM DAILY NEWS

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Market Analysis

1. Local stocks to slow on mixed corporate earnings as investors wait for int'l events

Investors are looking towards the upcoming Federal Reserve (Fed) meeting while also preparing to offload assets and dodge potential risks, they say.

Viet Nam's benchmark VN-Index on the Ho Chi Minh Stock Exchange ended last week at 993.35 points, up 1.1 per cent from the previous week. The prior week, the index gained 0.71 per cent.

Though the index advanced more last week than the week before, it was clearly slowing down compared to the period between June 27 and July 15, when it gained a total of 3.12 per cent.

Since July 15, the VN-Index has gained a total of 2.14 per cent.

According to analysts, the benchmark index has been progressing at a slower rate because investors are taking a cautious stance ahead of key international events this weeks.

On July 31, the Fed will hold a meeting in which it is expected to deliver an interest rate cut that will support the global economy.

An interest rate reduction will help boost the flow of foreign capital, both direct and indirect, to emerging and frontier markets including Viet Nam.

However, global investors are betting the Fed will cut its rate by only a quarter of a point to the range of 2-2.25 per cent, which may disappoint the markets as the previous expected cut was half a point.

The world's attention will also be drawn to the trade talks between the US and China to resolve their ongoing trade dispute, which has unsettled global financial markets over the last year and a half.

Global markets would remain unstable as investors wait to learn the outcome of the talks, Le Duc Khanh, director of market strategy

department at PetroVietnam Securities, told tinnhanhchungkhoan.vn.

Investors may be disappointed, he warned, because the two sides seem unwilling to back down.

Meanwhile, the second-quarter earnings season has nearly reached the saturation stage with almost all large-cap companies having announced their results. Therefore, Khanh said, the market may lose the support provided by the earnings numbers.

"It's no surprise the VN-Index will go up and down around the 1,000 point level," he said.

Expectations for higher corporate earnings have pushed the VN-Index up strongly since the end of June, but the earnings results have been mixed.

The banking sector has been the bright spot in the second-quarter earnings season. Vietcombank (VCB), TPBank (TPB), Techcombank (TCB), Asia Commercial Bank (ACB) and Military Bank (MBB) made higher profits in the second quarter and in the first six months of the year.

But other sectors considered leading industries for the Vietnamese stock market like securities, oil and gas, and real estate have been reporting lower results for the past quarter.

For example, the four largest stock-brokerages SSI Securities Inc (SSI), HCM City Securities Corp (HCM), Viet Capital Securities (VCI) and VNDirect Securities Corp (VND) all announced that their profits dropped in the second quarter from last year.

The results were attributed to low market liquidity in the first six months of the year, dampening their earnings from brokerage and proprietary trading activities.

To some extent, corporate earnings have had a negative effect on investor confidence and the

recent gains were only short lived, said Pham Duc Hoang, director of market analysis at Agribank Securities Co.

In its latest weekly report, BIDV Securities Corp (BSC) said 497 companies or 66 per cent of the total have released their earnings reports.

The total results were only 6.8 per cent higher year on year at VND21.2 trillion (US\$912.7 million), with Vietcombank accounting for a large portion (6.75 per cent of the figure), BSC said.

Thirty-five per cent of the firms that have reported recorded higher growth while 9 per cent posted losses in the second quarter.

Hoang and Khanh pointed out that the VN-Index might need a break in the short term to strengthen its current position ahead of key international events.

The 1,000 point level remained a challenge for the VN-Index and it might correct by 5-10 per cent in the next few weeks as the earnings season effect fades away, Khanh said.

Macro & Policies

2. State Treasury disburses 4.6 million USD as investment in H1

In controlling the spending of the State budget, the State Treasury system has actively coordinated with ministries, sectors, localities and budget users in taking concerted measures to step up investment disbursement, with the work monitored closely within the framework of estimates.

During January-June, State budget collection via treasuries reached 743.4 trillion VND, equal to 52.6 percent of yearly estimates.

The State Treasury also mobilized 115.8 trillion VND from the sale of Government bonds in the period, thus helping meet the demand for budget debt payment.

3. Proptech expands in Vietnam: JLL

Proptech in Vietnam is developing and expanding on the back of strong momentum in Vietnam real estate market, due to its benefits in improving accuracy and speed, cost savings and convenience,' said Trang Bui, head of markets at JLL Vietnam.

In Vietnam, the development of proptech is more prominent in the active market segments of residential and office. These two sectors witness high levels of interest from both developers and buyers and are served by more than 50% of proptech players in the market.

According to Finrei's list of Vietnam proptech ecosystem, the most notable segments of proptech is related to residential market in listing and marketplaces, tech-enabled brokerage, leasing and renting and property management.

The second most active proptech segment is in co-working which is now strongly growing in line with the booming office market in Vietnam. As more companies embrace flexible workspace, smart technology has a major role in helping landlords and companies understand – and optimize – how various spaces are being used.

All signs point to growth for the smart building market, with almost new builds involving at least one aspect of smart technology such as smart lighting or heating.

Currently, about 80% of players in the market are foreign startups or startups funded by foreign investors. However, there are several locally

founded proptech companies that are well-known in the market and are growing strongly. Batdongsan.com, a listing website, is the biggest player in the market with about 7 million visitors per month on average, much higher than its competitors.

Besides proptech segments directly serving residential and office sectors, there are those developed to serve related industries such as hotel, property analysis, construction, fund raising, etc. According to Jeriel Tan, marketing manager at Technode.com, "These proptech segments do not solely serve consumers in the near term, but given the fast changing natural and built environment, also affect long-term government planning, sustainability and climate change."

Besides, proptech companies in Vietnam have started to collaborate with fintech players. The residential sector, given the level of investment and consumer engagement, is expected to be the first to connect proptech and fintech, according to JLL.

For example, property management companies are trying to connect and embed e-wallet into their property management apps in order to improve services and experience for their users.

Listing real estate websites have announced collaborations with e-wallet providers for easier collection of service fees from their users. However, as Vietnam is still predominantly a cash economy and credit card penetration is still low, this integration may take some time.

Despite inherent barriers arising from a traditional mindset and the high requirement for trust in the real estate industry, the prospects for proptech in Vietnam are still positive, in our view, due to the young demographics, tech savvy population and available funding and incentives for technological startups in Vietnam, according to JLL.

More support from the government is much needed to foster the start-up culture, making it

easier for companies to enter the smart tech market. As more competition enters the market, price will decrease and proptech will become more accessible. In the future, for the growth of proptech, there is a need for wider and better-quality network connectivity in Vietnam.

While there is only a very small number of proptech being built at present, it is a good way for smaller or newer developers to compete, JLL concluded.

4. Order shortages put apparel exports at risk

The majority of garment and textile firms have secured export orders until the year's third quarter.

Tu Thi Bich Loc, director of the My Anh garment stitching company, said that her firm has faced a range of difficulties during 2019 in comparison with the previous years. This can be seen in the number of My Anh shipments ordered by importers dropping dramatically by 30 per cent on year.

The price of garment and textile exports has remained consistent while input costs have increased as a result of the rising prices of imported materials, thus hitting apparel firms.

Truong Van Cam, general secretary of the Vietnam Textile and Apparel Association, said order shortages have been occurring throughout the sector, adding that the total orders which many domestic firms have gained represent only 70 per cent of the figure seen during the same period last year.

Furthermore, the domestic sale of fibre and other materials have run into difficulties during the first half of the year while the export value of ancillary materials fell by 0.29 per cent on year.

The above-mentioned factors could make the sector fail to meet the full-year export target of US\$40 billion.

Cam attributed the downward fortunes of the sector to the negative impacts of ongoing US-China trade tensions. The domestic fibre

production has suffered the most from the trade war which has made fibre exports to China plunge.

Vietnam used to produce approximately 2.2 million tons of fibre annually. As many as 1.5 million tons are shipped abroad; of which 60 per cent are sent to China. During the first half of this year, fibre exports to China inched up only 1.1 per cent on year.

In response to the tariffs imposed by the US administration, China has undergone deep yuan depreciation in order to facilitate its exports while the Vietnamese dong has remained steady. This has made Vietnamese exports to China, including apparel products and ancillary materials, more expensive, subsequently putting the domestic sector at a disadvantage.

Impacts of the free trade agreements (FTAs) Vietnam has signed could pose another threat.

Foreign partners believe that opportunities arising from the FTAs have yet to present themselves; hence, there are no high hopes on the soaring export growth of the apparel sector. This might force foreign partners to shift their import from Vietnam to other countries, resulting in the order shortages facing domestic garment firms.

Cam stressed that local firms must maximize their efforts into boosting their growth in a joint bid to meet the sector's 2019 export target.

In particular, the sector must strive to obtain an export growth rate of at least 11 per cent during the second half of 2019 if it wants to meet the

projected export figure of US\$40 billion. However, this is not a simple task, he said.

Local firms should be more active in seeking additional orders to keep their production ahead for the remainder of the year. They are advised to make alliances with partners to build up

production chains in order to meet origin rules as committed to in the FTAs.

Cam urged domestic firms to strictly follow label requirements and seek ways of having labels recognized in order to attract long-term orders from overseas partners.

5. High hopes put for shrimp exports in H2

In addition, the overseas demand for shrimp products is expected to soar over the rest of the year. This is partly attributed to easing competition from Indian exports as the South Asian country has concluded its main annual harvest season.

Furthermore, the EU-Vietnam Free Trade Agreement (EVFTA), signed on June 30, are expected to yield positive effects on Vietnamese shrimp exports.

Aquatic exports to the EU will be immune from tariffs within a seven-year tax elimination phase as committed in the EVFTA. Notably, shrimp exports to the trading bloc will enjoy sharp tariff cuts set by the EU during the first year after the pact takes effect. Tariffs will gradually fall to zero per cent in subsequent years.

Firms expect these factors to create “breakthroughs” for shrimp exports during the second half of this year.

The Vietnam Association of Seafood Exporters and Producers reported that shrimp exports reached US\$1.4 billion during the first half of 2019, an annual drop of 12 per cent.

Domestic shrimp exports to China fell sharply in the six-month period as the neighboring country increased its imports from India and Ecuador. This was resulted by China's tight border trade policy coupled with fierce competition from the two countries.

Following sharp drops in the previous months, shrimp exports saw positive signs in June as exports to China racked up nearly US\$47 million, up 10 per cent on year.

6. Growing demand for robots in Vietnam

Speaking at the discussion on ‘Smart Factories – Future of Mechanical Manufacturing Sector’, organized by Reed Tradex Vietnam, the organizer of Metalex Vietnam, Huynh Phong Phu, managing director of Robotics at ABB Vietnam, said the robot market in Vietnam has boomed over the past three years. Up to 8,000 robots were sold in the Vietnamese market in 2017.

The robots were used in various fields, such as electronics, automobiles, foods, beverages, and consumer goods.

The market currently has six robot suppliers, and all of them are foreign players. ABB alone has provided Vietnam with around 5,000 robots.

The local robot market holds much potential, and there is still room for robot suppliers and manufacturers to expand their business due to the escalating demand for robots in the country.

Phu said that supporting industries for production in Vietnam are surging thanks to the entry of large-scale foreign brands with a global presence, including Samsung, LG, Toyota, Honda, and Canon, and the scale expansion of domestic firms to meet international production standards.

Vu Trong Tai from Reed Tradex Vietnam said that smart factories, equipped with advanced technologies and modern facilities, are expected to raise production capacity and efficiency, and reduce costs of other operations.

Metalex Vietnam 2019, an international exhibition of machining tools and metalworking solutions, is expected to kick off at the Saigon Exhibition and Convention Center in District 7, HCMC this October.

The exhibition will feature machining tools, metalworking solutions, and advanced electronic assembly technologies produced by 500 brands from 25 countries and territories.

Corporate News

7. ACB: Financial Statement Quarter 2/2019

↓ -1.27%

File Attachment

Asia Commercial Bank announced the company's Financial Statement Quarter 2/2019.

[ACB 2019.7.26 ccc28ea financial statements.zip](#)

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