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JAPAN SECURITIES INC.

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Market Analysis

1. Southern bourse makes turnaround

The VN-Index added 5.64 points, or 0.57%, against the previous session at 991.66, with 150 winners and 167 losers. The market closed the last trading session of July by staging a quite positive recovery after taking a nosedive on Tuesday. The gain was modest but it has helped improve investor sentiment.

Trade on the southern bourse rose 12% in volume and 36% in value to 172 million shares and VND4.9 trillion, respectively.

After making sluggish trade for a short while in the morning, the benchmark index started to drastically bounce back in the afternoon thanks to strong cash flow and the rebound of such bluechips as property firm VHM, retailer VRE, and steelmaker HPG.

Property firm VHM and retailer VRE, two affiliates of housing VIC, were the top two contributors to the index's rise, closing up 5% and over 3%, respectively.

Besides, steelmaker HPG added 4.8% to end at the intraday high of VND22,500, while mobile phone retailer MWG soared nearly 3%, along with many other advancers such as lender MBB, State-owned electricity firm POW.

The two biggest largecaps VIC and VCB still encountered losses but their decrease was rather mild, just around 0.5%.

Meanwhile, two real estate stocks, ROS and FCL, saw active trading and led the southern bourse by liquidity with 9.5 million and 7.9 million shares

transacted, respectively. However, they ended the session with losses.

Notably, over 42 million shares traded in block deals contributed VND2.2 trillion to the market's total value, including over VND1.1 trillion worth of shares of the housing developer VIC and VND109 billion worth of shares from lender TPB.

The market is shifting its focus on Fed's meeting on interest rate cut tonight, MB securities company said in a report.

The brokerage noted that aside from bank stocks, others in the retailing, food, and aquatic sectors are expected to draw attention of investors in upcoming sessions.

According to Bao Viet securities firm, the VN30 basket's portfolio review session may exert its impact on the market, and bluechips in the basket will likely fluctuate with unexpected trend in the remaining sessions this week.

On the northern bourse, efforts made at the end of the session could only save the HNX-Index from extending its losing streak. Closing, the index trod water at 104.43 points as on Tuesday, with 73 advancers and 90 losers. There were over 36 million shares changing hands worth VND104 billion.

Most of large caps in the Hanoi market inched up, except for lender ACB which dipped for four straight sessions and hindered the HNX-Index from making gains. Its peer SHB moved sideways and led the northern market by liquidity, with over nine million shares transacted.

Macro & Policies

2. Local firms must meet requirements on goods origins: expert

At a conference called “EU-Vietnam Free Trade Agreement---a new horizon for extensive and comprehensive cooperation,” jointly held by the EU Delegation to Vietnam and the European Chamber of Commerce in Vietnam (Eurocham) in HCMC on July 30, Giang said local firms should use locally made materials for their products.

Textile and garment firms, for instance, are required to use locally produced fabrics for their products to be entitled to tax incentives in EU countries. However, the sector is currently dependent on imported materials.

To combat this, the sector is striving to enhance investment in production facilities.

According to the Ministry of Industry and Trade, apparel, footwear, mobile phones, computers and farm produce are Vietnam's key export items.

Speaking at the conference, Deputy Minister of Industry and Trade Hoang Quoc Vuong pointed out that the cooperation of the Government, associations and enterprises as well as consultancy services from economic experts are necessary to utilize incentives provided by the EVFTA.

He noted that bilateral trade between Vietnam and the bloc had surged from US\$4.1 billion in

2000 to US\$55.8 billion in 2018, of which US\$41.9 billion came from Vietnam's exports.

As of June, 27 EU countries had invested US\$53.1 billion in more than 3,200 projects in Vietnam. Thus, the European Union is an important trade partner of and investor in Vietnam, Vuong added.

Miriam Garcia Ferrer, head of the Economics and Trade Section of the EU delegation to Vietnam, remarked that the EVFTA will open up more opportunities for cooperation between Vietnam and the European Union. The bloc is now Vietnam's second-largest import market and fifth-largest investor.

The EVFTA will bring both opportunities and challenges for small and medium-sized enterprises. They must meet requirements on production, laborers and goods origins. Agricultural product processing firms will have to work harder to popularize their products among European consumers.

For her part, Nguyen Son Tra, deputy head of the WTO and Trade Negotiation Division, under the Ministry of Industry and Trade's Multilateral Trade Policy Department, stressed that Vietnamese enterprises should be more proactive in learning about the EVFTA and improving their product quality to utilize available opportunities.

3. Kien Giang approves 20 projects worth total \$2 billion

The Mekong Delta province's authority also signed investment co-operation agreements with 25 investors for 36 projects with total registered capital of more than VND150 trillion.

Key projects include a limestone and clay mining project and a clinker kiln one, both for cement production, run by Siam City Cement Vietnam – a subsidiary of Thailand-based Siam City Group – in Kien Luong District with combined investment of VND10.9 trillion (\$467.8 million).

Sun Phu Quoc Co Ltd was approved to build An Thoi Eco Urban Area, Suoi Lon reservoir and a water treatment plant, worth a total of VND5.1 trillion.

The newly-approved projects also include Rach Tram eco-tourism complex and residential zone invested by CityLand Phu Quoc, worth VND4.9 trillion; and Resident Hill Phu Quoc which costs VND2 trillion.

Kien Giang pledged to improve the local business climate and legal framework for investors. It also

vowed to remove barriers in public administration schemes and provide investors with preferential policies.

The province aims to create a dynamic, creative and efficient business environment for investors as it sees their success as its own, said Secretary of the provincial Party's Committee Nguyen Thanh Nghi.

4. U.S. investigates wind tower imports from Vietnam

In a statement, the DOC said the investigations will also determine whether producers in Canada, Indonesia and Vietnam are receiving unfair subsidies.

Although there is already an existing antidumping duty order on utility scale wind towers from Vietnam, the petition was filed with respect to one company that was excluded from the current order.

The move was initiated based on petitions filed by the Wind Tower Trade Coalition, which includes Arcosa Wind Towers Inc. (Dallas, TX) and Broadwind Towers, Inc. (Manitowoc, WI).

The alleged dumping margins are 39.97% to 65.96% for Vietnam, and there are reportedly 24 subsidy programs for the country.

The department will impose duties if the investigations back up the claims and if the U.S.

5. HCMC's pork imports surge in H1

Data released by the municipal Department of Industry and Trade on July 30 shows that the city's pork imports rose sharply because of the reasonable import price, at some VND30,000 per kilogram, lower than that of domestic pork, reported Thanh Nien newspaper.

In addition, the stronger integration of Vietnam with the global economy, coupled with many trade barriers being lifted, have boosted the country's pork imports in general and those of the city in particular.

Kien Giang will be consistent in implementing investment policies and ensure supply of human resources and services for investors. Additionally, it will hold dialogues between local authorities and businesses to address problems in a timely manner and help projects run on schedule, Nghi said.

International Trade Commission determines that dumped or unfairly subsidized imports are causing injury to the U.S. industry.

Foreign companies that price their products in the U.S. market below production cost or below prices in their home markets are subject to antidumping duties.

Companies that receive unfair subsidies from their governments, such as grants, loans, equity infusions, tax breaks or production input, are subject to countervailing duties aimed at directly countering those subsidies.

Imports of wind towers from Canada, Indonesia, South Korea and Vietnam last year were valued at an estimated US\$60.2 million, US\$37.4 million, US\$50 million and US\$21.4 million, respectively, according to the department.

During the first half of the year, Brazil was HCMC's largest supplier of pork, with over 2,000 tons of pork being transported to the city. The runners-up were the United States with over 870 tons and Poland with 850 tons.

There are currently 24 countries and territories eligible to export pork and pork products to Vietnam, including Australia, Canada, Austria and Denmark.

All products made from terrestrial animals, including pigs, must undergo quarantine procedures before they enter Vietnam, as

regulated by the Department of Animal Health, under the Ministry of Agriculture and Rural

Development

6. Your Next iPhone Might Be Made in Vietnam. Thank the Trade War

The country's factories have swelled with orders as American tariffs cause companies to reconsider making their products in China. Now, more big technology firms are looking to bulk up their manufacturing operations in Vietnam, lifting the ambitions of a nation already well on its way to becoming a powerhouse maker of smartphones and other high-end gadgets.

First, though, Vietnam needs to get better at making the little plastic casings on your earbuds.

Vu Huu Thang's company in the northern city of Bac Ninh, Bac Viet Technology, produces small plastic parts for Canon printers, Korg musical instruments, and Samsung cellphones and phone accessories, including earbuds. He said it would be hard for his firm to compete against Chinese suppliers as long as he had to buy 70 to 100 tons of imported plastic material every month, most of it made in China.

"Vietnam cannot compare with China," Mr. Thang said. "When we buy materials, it's 5, 10 percent more expensive than China already." And the Vietnamese market is too small, he said, to entice plastic producers to set up plants here.

Negotiators for the United States and China are meeting in Shanghai this week to try to find a way forward in resolving their bruising trade war. But for some companies, spooked by what now appears to be a definitive darkening in America's relations with China, the appeal of working in the world's second-largest economy may already be tarnished for good. With smartphones, video game consoles and other consumer favorites potentially next on Mr. Trump's tariff list, gadget makers in particular are feeling pressure to find new low-wage places to make or finish their products.

Apple has homed in on Vietnam and India as it intensifies its search for ways to diversify its supply chain. Nintendo has accelerated a shift in the production of its Switch console to Vietnam from China, according to Panjiva, a supply chain research firm. The Taiwanese electronics behemoth Foxconn, a major assembler of iPhones,

said in January that it had acquired land-use rights in Vietnam and had pumped \$200 million into an Indian subsidiary. Other Taiwanese and Chinese partners to Apple have indicated that they are considering ramping up operations in Vietnam as well.

Even so, this nation of nearly 100 million people is not about to replace China as a manufacturing hub overnight. Land here can be expensive, and ready-to-use factories and warehouses are in short supply. Recruiting enough trained workers and managers is another potential challenge.

"It's definitely stretching Vietnam's capabilities," said Frederick R. Burke, a managing director in Ho Chi Minh City for the law firm Baker McKenzie. Even though the country's labor force is expanding by a million people a year, he added, "people are talking about labor shortages already."

Vietnam also does not have vast galaxies of companies churning out specialized components, parts and materials like those that manufacturers can call upon in China.

Tran Thu Thuy said that "of course" she would love to work with Apple someday. Ms. Thuy's firm, HTMP, makes metal molds that factories use to produce plastic and die-cast parts. She gestured toward a nearby MacBook. One day, she said, HTMP might be able to make the molds for metal laptop bodies. But she knows the company has to improve in many ways before that day can come.

"There's a long list," she said.

Vietnam is already a colossus in producing shoes, clothes and other types of labor-intensive goods, having long ago begun siphoning business away from its giant northern neighbor.

Nike and Adidas now make close to half of their sneakers in Vietnam. As factories have sprung up, the Vietnamese government has pledged to improve roads, ports and power plants. Hanoi has

also signed deals with governments around the world to reduce tariffs, including an agreement reached last month with the European Union.

The Trump administration has not failed to notice that its import levies have been shifting global commerce in Vietnam's direction. The Treasury has put Hanoi on a watch list for manipulating the value of the Vietnamese currency, the dong, to help exporters. Mr. Trump suggested last month that Vietnam might be the next target for punitive tariffs, calling the country "almost the single worst abuser of everybody."

In response, the Vietnamese government said it wanted mutually beneficial trade ties with the United States, and it highlighted its efforts to punish exporters who illegally relabeled their goods as "Made in Vietnam" to dodge American taxes.

Yet even Mr. Trump's feuding seems unlikely to reverse the broader shifts that are turning north Vietnam into a major hub for electronics. Many of the hulking factory complexes that stretch across the horizon in long, palm-fringed rows are here in no small part thanks to one company.

More than a decade ago, Samsung Electronics, the South Korean titan, set up a plant in Bac Ninh to reduce its dependence on China. The move was prescient. Costs in China continued to increase, and Samsung's sales there withered after Beijing called for boycotts on South Korean products over Seoul's embrace of an American missile defense system in 2017.

Samsung has since closed all but one of its smartphone plants in China. It now assembles around half of the handsets it sells worldwide in Vietnam. Samsung's subsidiaries in the country, which employ around 100,000 people, accounted for nearly a third of the company's \$220 billion in sales last year.

A Samsung spokeswoman said about 90 percent of those sales involved goods shipped from Vietnam to other countries. That implies Samsung alone accounted for a quarter of Vietnam's exports in 2018, although even that might not fully capture the company's effect on the wider economy. Samsung's success in Vietnam helped convince many of its South Korean suppliers that they needed to be here, too.

"When you are a big company and you move to a place, everything follows you," said Filippo Bortoletti, the deputy manager in Hanoi at the business advisory firm Dezan Shira.

Some Vietnamese business owners say the blessings are mixed, though. Foreign giants, they say, come to Vietnam and work largely with vendors they already use elsewhere, leaving little room in their supply chains for local upstarts.

Samsung has 35 Vietnamese suppliers, the spokeswoman said. Apple declined to comment.

When Samsung first set up in the country, it bought some of the metal fixtures used on its assembly lines from a local firm, Vietnam Precision Mechanical Service & Trading, or VPMS. But then more of Samsung's South Korean partners started coming into the country, and after a year, Samsung and VPMS stopped working together, said Nguyen Xuan Hoang, one of the Vietnamese company's founders.

Price and quality were not the issue, Mr. Hoang said, over the hissing and clanging of machinery at his factory near Bac Ninh. The problem was scale: Samsung needed many more fixtures than VPMS could deliver.

Vu Tien Cuong's company, Fitek, produces industrial equipment for Samsung, Canon and other big firms around Bac Ninh. He acknowledged that most Vietnamese suppliers had quality and productivity issues that kept them from winning business from multinational companies. But he thinks that the root problem is inexperience, not a lack of money or knowledge.

"Day by day," Mr. Cuong said, Vietnam's supplier base is improving and "growing up."

Nguyen Thi Hue, 28, knows a thing or two about growing up on the job. For a long time after starting her own company in 2015, Ms. Hue worked 16-hour days juggling a day job for another firm while getting her new venture off the ground.

Her start-up, Anofa, specializes in surface treatments for metal parts. It has worked with suppliers for foreign brands like the South Korean

electronics maker LG and the Italian motorcycle maker Ducati.

“We really look forward” to Apple's expanding its supply chain in Vietnam, said Nguyen Van Huan, Ms. Hue's husband, who is also her lawyer.

Anofa has invested in new machines to try to win more business from foreign clients. “They have higher standards and requirements,” Mr. Huan said.

“We can meet them,” Ms. Hue said, beaming.

7. Up-coming seminar: “Vietnam-US Direct Route: Ready to Take Off”

According to the report of the International Air Transport Association (IATA), the number of passengers traveling by plane worldwide in the next 20 years is expected to reach 7.2 billion, almost doubling against the 3.8 billion passengers in 2016. In particular, Vietnam is one of the five markets with the fastest growing number of visitors beside China, the US, India, and Indonesia.

Regarding the domestic market, five Vietnamese airlines are exploiting 50 domestic routes connecting Hanoi, Danang, and Ho Chi Minh City with 18 local airports. There are currently 68 foreign airlines from 25 countries/regions and five domestic airlines operating in Vietnam, exploiting nearly 130 international routes to 29 countries/territories.

Vietnamese airlines are stepping up the exploitation of the international aviation industry, in which the US is one of the key markets identified in the project: "Direct flights between Vietnam and other countries together with key areas to encourage development investment promoting exchanges and international integration" approved by the prime minister in Decision No.2119/QD-TTg on December 28, 2017.

The US is also identified as a key tourism market in the project: "Strengthening aviation connectivity with source markets" signed by Deputy Prime Minister Trinh Dinh Dung in Decision No.105/QD-TTg on January 22, 2019.

The market capacity between Vietnam and the US in 2017 rose to over 700,000 passengers with an average growth rate of more than 8 per cent per year in 2010-2017. According to the US Embassy in Ho Chi Minh City, in 2018, the number of Vietnamese visitors travelling to this country achieved an impressive growth of 107,000 people.

In February 2019, Vietnam was officially granted the Category 1 (CAT1) certification by the US Federal Aviation Administration. CAT 1 has paved the way for Vietnamese airlines to establish direct flight to the US and facilitated joint co-operation between airlines and the people of the two countries.

The time for Vietnamese carriers to open direct flights to the US has arrived. However, in addition to opportunities and potentials, the exploitation of the Vietnam-US direct route also poses significant challenges in terms of legal, economic, technical, and commercial issues.

Corporate News

8. BVH: Explanation for the Quarter 2/2019 separate financial statements

↓ -1.52%

BaoViet Holdings has explained the separate financial statements in Quarter 2/2019 as follows:

Item	In the period			Accumulation			
	Quarter 2/2019	Quarter 2/2018	Fluctuation rate (%)	06 months of 2019	06 months of 2018	Fluctuation rate (%)	% plan
Profit after tax on the parent company's financial statements	272,354	260,148	4.69%	544,760	528,361	3.10%	50.4%
Profit after tax on the consolidated financial statements	256,476	335,366	-23.52%	669,526	840,254	-20.32%	54.6%

Until the end of the first six months of 2019, BaoViet Holdings achieved effective business results, especially in the insurance field. Its revenue raised on both life insurance and non-life insurance.

developments. Therefore, BaoViet Holdings could reverse the provision funds and saved the administrative expense. The profit of the parent company was higher than in the same period of last year and the Company completed its business targets for the first six months of 2019.

Besides, the stock market of Vietnam in the first six months of 2019 had many positive

9. DXG: BOD resolution on the record date for stock dividend & additional issuance

↓ -3.61%

The Board resolution dated July 30, 2019, the Board of Directors of Dat Xanh Group Joint Stock Company approved the record date for stock dividend & additional issuance as follows:

- Record date: August 14, 2019

1. To implement right for stock dividend payment:

- Exercise ratio: 100:22

2. To implement right for additional issuance:

- Issue price: VND10,000/share
- Exercise ratio: 4:1
- Time for rights transference: from August 21, 2019 to September 03, 2019
- Time for subscription and deposit: from August 21, 2019 to September 10, 2019

10. Stock market briefs on July 31, 2019

↑ 0.24%

HCMC - Vincom Retail JSC (VRE) has released its consolidated financial report for the second quarter. The retailer booked over VND1.9 trillion in net revenue, up 31% against year-ago period, while after-tax profit totaled VND640 billion, up 3.3%. In the first half of the year, its net revenue soared a hefty 36% versus 2018 at around VND4.2 trillion and after-tax profit of its parent firm exceeded VND1.2 trillion, rising 7% year-on-year.

HCMC - Hoang Anh Gia Lai Agricultural JSC (HNG) will issue shares in exchange for 2018 convertible bonds whose total value is over VND2.2 trillion, equivalent to 221,710 bonds. As one convertible bond will be converted into 1,000 shares, the firm plans to issue over 221 million new shares.

HCMC - Vietnam Joint Stock Commercial Bank For Industry and Trade (CTG) has passed a scheme to issue VND100 billion worth of bonds in a private placement this year at the par value of VND1 billion each. The ten-year bonds will be issued in July-August.

HCMC - FECON Corporation (FCN) will spend VND35.98 billion establishing Fecon Piling and Construction JSC, equivalent to 99.94% of the new

firm's capital. The establishment of the new business is slated for the third quarter of 2019.

HCMC - Vinhomes JSC (VHM) has approved a scheme to pay cash dividend to its shareholders at 10%. The payment is scheduled from September 9.

HCMC - The Southern Fertilizer JSC (SFG) in a recently-passed business plan for the third quarter of the year targets its total revenue of VND450 billion and expected profit of VND5 billion.

HCMC - Nguyen Anh Tuan, vice chairman of First Real Estate Company (FIR), bought 100,000 FIR shares between July 1 and 30 to raise his holding at the firm to 1.18 million shares, or a 9.07% stake.

HANOI - In its consolidated financial report recently, Petro Vietnam Technical Services Corporation (PVS) said it posted over VND4.9 trillion in revenue in the second quarter, a 15%-year-on-year increase, but its after-tax profit plunged as much as 22% to VND147 billion. Also, the gas firm saw its turnover and after-tax profit during the first six months inched up 18% and 16% to VND9 trillion and VND565 billion, respectively.

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