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Market Analysis

1. VN-Index grows for second day on corporate prospects

The VN-Index on the Ho Chi Minh Stock Exchange rose 0.58 per cent to close at 997.39 points, totalling a two-day gain of 1.15 per cent.

The index lost as much as 0.08 per cent during the day.

In the early stages of Thursday, investors reacted negatively to the conclusion of the Fed meeting and the US-China talks, which delivered few positive signs of improvement.

The Fed meeting ended on Thursday morning (local time) with interest rates dropping by 25 basis points – level to previous forecast – but Fed officials disappointed the global markets by signalling no further rate cuts this year.

Meanwhile, the US-China trade talks made no progress to improve the tension between the world's two biggest economies.

The results had been widely expected by global investors, thus they had little impact on Vietnamese stocks, Sai Gon-Ha Noi Securities (SHS) said in its daily report.

Later on, the VN-Index advanced as large-cap stocks increased. The VN30-Index, which tracks the performance of the 30 largest stocks by market value and trading liquidity, was up 0.48 per cent to finish at 887.39 points.

Seventeen of the 30 biggest stocks made gains, including realty firms Novaland (NVL), Vinhomes (VHM), Vingroup (VIC), Vincom Retail (VRE), retailers Phu Nhuan Jewellery (PNJ), Mobile World (MWG), brewer Sabeco (SAB) and dairy firm Vinamilk (VNM).

Those companies helped lift the real estate, retail and food and beverage industry indices by a range

of 0.6 per cent and 2 per cent, data on vietstock.vn showed.

According to SSI Securities Corp (SSI), investors have a positive outlook for the market in the remaining months on expectations that both businesses and the macro-economy will perform better.

Recent data from the General Statistics Office (GSO) showed total value of retail and food and beverage sales was up 11.6 per cent year on year to reach VND2.8 quadrillion (US\$120.4 billion) in the first seven months of 2019.

Purchasing power increased because buyers purchased more in the summer time for hot weather, travel and spiritual purposes, according to GSO, thus boosting earnings of consumer firms.

Meanwhile, real estate firms are predicted to perform better in the remaining months of the year as they may still benefit from loose lending policies, recent reports say.

However, the market will struggle on Friday, according to SHS, as the VN-Index has approached the 1,000-point level which was its previous peak met in April 2019.

The 1,000-point level is the suitable sell zone for investors with short-term appetite, so the VN-Index will likely struggle at this level, SHS said.

On the Ha Noi Stock Exchange, the HNX-Index fell 0.52 per cent to end at 103.88 points.

The northern market index ended flat on Wednesday.

More than 248.3 million shares were traded on the two local exchanges, worth VND5.52 trillion (\$237.5 million).

Macro & Policies

2. Vietnam's economy obtains positive results: PM

The meeting was aimed at discussing the socioeconomic performance in July and the first seven months of this year, reported the Government news website.

Phuc said that international agencies have held their positive outlooks for the country's economy in 2019 and the years ahead.

The International Monetary Fund, the World Bank, HSBC and the Asian Development Bank expected the national economy to grow 6.5%, 6.6%, 6.7% and 6.8% respectively.

Meanwhile, Vietnam has moved up three notches to rank 42nd out of 129 economies in the 2019 edition of the Global Innovation Index, recently released by the World Intellectual Property Organization. The country came third in the ASEAN.

"I have recently attended investment promotion conferences in the mountainous (northern) province of Lao Cai and (the southern) province of Kien Giang. I realize the business and investment atmosphere of domestic investors looks very promising," he said.

He added many local firms have made major investments, which is an encouraging sign of the self-reliant economy.

Four major banks which lowered their lending rates this morning are expected to cut production costs, facilitate business activities, and help stimulate economic growth, according to the Government leader.

He also cited the results of Vietnam's Manufacturing Purchasing Managers' Index (PMI) as saying that the index was 52.6 in July, up from 52.5 from a month earlier.

Compared with other ASEAN economies, Vietnam's PMI was still behind that of Myanmar, but went ahead those of the Philippines and Thailand. The manufacturing sector is expected to continue its yearly double-digit growth in the third quarter of this year.

Strong economic indicators

PM Phuc quoted a report from the Ministry of Planning and Investment as saying that the country's socioeconomic situation is following a positive trend.

The headline consumer price index (CPI) for July ticked up 0.18% from a month earlier, and the average inflation in the first seven months of the year was up 2.61% year-on-year, the lowest pickup in three years.

The industrial production index rose 9.4%, with a 10.7% increase in the processing and manufacturing industries.

Disbursed foreign direct investment (FDI) grew 7.1% year-on-year to reach US\$10.6 billion.

The local business community saw more than 74,000 new entrants and 24,300 firms that resumed operations after periods of suspension.

The total retail sales of goods and services in the seven-month period marked a high 11.6% pickup. Consumer purchasing power also saw high gains, while goods supplies were abundant.

International tourist arrivals to the country amounted to more than 1.3 million last month, taking the total in the seven-month period to 9.8 million, or a year-on-year rise of 7.9%.

Over this period of time, Vietnam earned US\$145 billion in export turnover, up 7.5% compared with the same period last year. The export growth of the domestic corporate sector was higher than that of the FDI sector at 12.2% versus 5.6%, and local firms accounted for 30.3% of the total exports. Also, the country saw US\$1.8 billion in trade surplus.

Challenges

In addition to positive outcomes, there remained difficulties and challenges, according to the Government. A prolonged heat wave caused

drought in some provinces and cities in northern and central Vietnam, disrupting rice farming and forest planting.

Also, the sweltering weather was a contributing factor to a host of forest fires in the north-central, central and coastal regions, which affected agricultural production and locals' lives.

The ongoing spread of African swine fever, a viral disease affecting only pigs, has affected farms in 62 of the country's 63 provinces and cities, except for the south-central coastal province of Ninh Thuan. The exports of some farming products have also taken a hit.

At the meeting, Cabinet members were expected to review the execution of its first resolution for 2019, as well as pilot systems and policies in the central coastal city of Danang, and debate amendments and supplements to another resolution on restructuring the State budget and public debt.

Cabinet members also sought ways to resolve difficulties arising in the enforcement of the Forestry Law and a directive of the Party Central Committee's Secretariat on forest management, protection and development.

The master plan for socioeconomic development in mountainous and disadvantaged areas was also brought up for discussion there.

3. Viet Nam artificial intelligence day to showcase latest tech

Speaking at a press conference on Wednesday, Deputy Minister of Science and Technology Bui The Duy said AI4VN aims to promote AI development in Viet Nam by connecting members of the ecosystem like research institutes, technology companies, and start-ups.

“Viet Nam has been considered as one of countries which have updates for the latest technologies of the Industry 4.0 including AI,” Duy said.

“However, the country has not had sufficient resources to focus on developing a totally new technology like AI. It therefore requires supports from businesses, individuals and research units to establish an AI community in Viet Nam. This could help Vietnamese people to have AI-based products.”

He said AI has been considered as one of key technologies in the Fourth Industrial Revolution. Many countries have seen big affects of AI in all aspects of life. Viet Nam would not be outside the trend.

Ta Hai Tung, director of the Institute for Information, Technology and Telecommunications of Ha Noi University and Technology said AI helps to connect with people's diversified demands. In the trend of digital transformation, AI in combination with Big Data would create added values and conveniences for the future.

Le Hong Viet, Technology Director of FPT said the company has around five million users operating in different sectors each month.

“The demand of applications using AI has seen strong growth,” Viet said.

Currently, AI application has been widely used in education and transport sectors in the country.

The event was expected to attract around 2,000 participants.

Also planned are a series of workshops on AI in tourism, health, education, and finance, among others, to take place with the participation of Vietnamese and foreign experts, businessmen and researchers.

Visitors will be treated to exhibitions and the showcasing of self-driving cars and robots.

Leading speakers in the world such as Dr Ulli Waltinger from Siemens, Stefano Ermon from Stanford University will be speaking. CEOs of leading Vietnamese technology firms such as FPT, VinAI and CMC will be discussing AI development in Viet Nam.

One of the main guests is Peter Vesterbacka, co-founder of the popular Angry Bird Game.

According to Gartner Group, the world's AI industry in 2018 saw strong growth of more than 70 per cent in comparison with the previous year, reaching the value of US\$1.2 trillion. AI would become one of the breakthrough technologies in the next 10 years thank to advances in calculation capacity, speed and diversified data.

In Viet Nam, AI is listed among advanced technologies for prioritised investment in development. The Government considers it a spearheaded factor of the Fourth Industrial.

4. Boeing 787-10 to enter Vietnam Airlines' fleet

Vietnam Airlines said the entry of the 'super-aircraft' Boeing 787-10 will be a big step in its itinerary to expand the fleet and enhance 4-star service quality.

The carrier will increase flights linking famous tourist destinations from mid-August to serve passengers' rising travelling demand in the period.

From August 10, three more flights per week will be launched on the air route connecting Ha Noi and Tuy Hoa City in the central province of Phu

Yen, and will take off on Tuesdays, Thursdays and Saturdays.

The route between Da Nang City and Da Lat City in the Central Highlands province of Lam Dong will also see an increase of three flights per week from August 14, bringing the total to 10. The additional flights will depart at 7am from Da Nang and 9am from Da Lat on Wednesdays, Fridays and Sundays.

Vietnam Airlines' flights in the Da Nang-Da Lat and Ha Noi-Tuy Hoa routes recorded an occupancy rate of over 90 per cent in July.

5. Trade facilitation must be accompanied by trade fraud prevention: Deputy PM

Vietnam's efforts against trade fraud activities should not affect business operation and legitimate rights of enterprises, according to Deputy Prime Minister Vuong Dinh Hue.

Hue made the statement at a meeting on July 31 discussing measures to promote trade facilitation and logistics by greater integration into ASEAN National Single Window (NSW), a regional initiative with objective of expediting cargo clearance and promoting ASEAN economic integration by enabling the electronic exchange of border documents among its member states.

Hue is chairman of the National Steering Committee for ASEAN Single Window (ASW), National Single Window (NSW) and Trade Facilitation, also known as Committee 1899.

As of July 10, a combined of 174 administrative procedures from 13 ministries have been carried out through Vietnam's NSW with 2.3 million documents from 31,000 enterprises stored in its database.

Notably, some ministries have completed the integration process, such as the Ministry of Transport with 87 procedures, the Ministry of Science and Technology with 6 procedures.

Additionally, Vietnam has exchanged certificates of origin (C/O) with 6 ASEAN country members, including Singapore, Malaysia, Indonesia, Thailand, Brunei and Cambodia, accumulating a total of 87,355 C/O received and 153,872 sent.

However, the target of connecting 61 administrative procedures in 2019 remains challenging, said Hue, as only 16 procedures so far have been connected to the country's own NSW and that of ASEAN.

The remaining 45 include 14 of the Ministry of Health, 12 of the Ministry of Agriculture and Rural Development, and 8 of the Ministry of Defense, accounting for 75% of the pending total.

Meanwhile, Hue expected more efforts to reduce the number of goods subject to specialized

inspection as the current reduction rate of 15% is lower than the target set by the National Assembly from 15-35%.

Hue requested government agencies to complete the connection of 61 administrative procedures on the NSW as planned, reforming the custom clearance process towards greater trade facilitation and tackling trade fraud activities.

With regard to the logistics sector, Hue pointed to its high costs for enterprises at 20% of the GDP in

spite of the sector's low contribution to the GDP at 4 – 5%, requesting more measures to reduce costs for enterprises.

According to Hue, the Ministry of Industry and Trade is tasked with drafting up a development strategy for the logistics sector, targeting a contribution of 8 – 10% of the GDP by 2025 and growth rate of 14 – 20%, making Vietnam among the world's top 50 in terms of competitiveness.

6. Vietnam warned of risks in importing timber from Africa

The General Department of Customs (GDC) reported that in 2018 the amount of timber from Africa accounted for 24 percent of round and sawn timber imported, and the figure rose to 26 percent in the first four months of the year.

Timber from Africa has become increasingly important for Vietnamese woodwork manufacturers.

To Xuan Phuc from Forest Trends noted that Vietnam has imported more timber from Africa because the products from the source have very competitive prices, around \$300-400 per cubic meter as declared by importers at ports.

The changes in policies on natural resources management of Vietnam and countries which are loyal timber suppliers of Vietnam, such as Laos and Cambodia, have also prompted enterprises to seek new supply sources from Africa.

The demand for African timber made products has also increased in the domestic market. Most of the timber products from Africa are precious wood such as huong (sandalwood) and cam (*Dalbergia oliveri*).

The use of familiar-to-Vietnamese names for African timber helps consumption of products sourced from Africa.

Meanwhile, some Vietnamese enterprises have opened wood sawmills in African countries (Cameroon and Gabon) and provided timber to Vietnam.

Nguyen Ton Quyen, deputy chair of the Vietnam Timber and Forest Product Association (Vietfores), has warned that the risks in timber imports from Africa will be a barrier in satisfying the requirements of VPA/FLEGT.

According to Quyen, in Vietnam, both timber buyers and timber-made product consumers lack information about timber supply sources, making it impossible to trace the origin of the timber.

The policies on natural resources management by African countries show a lot of problems, inconsistencies and sometimes contradictory regulations. This leads to the risks of legality of the timber.

The government of Vietnam has built up VNTLAS, or the timber legality assurance system, to ensure that its exports of timber and timber products are from legal sources.

Quyen said that in order to run VNTLAS effectively, Vietnam's management agencies need to take action to ease the risks from the supply chains.

It is necessary to start collecting information on legal regulations on forestry management, timber exploitation, processing, trade and other relevant regulations, such as labor and environment, of the African countries which provide wood to Vietnam.

In 2018 Vietnam spent \$515 million to import wood from Africa, an increase of \$19 million (3.9 percent) compared to 2017. Vietnam is the second

largest importer of African wood material in the world, after China.

7. Proper strategies needed to limit trade remedy cases

The country has so far faced nearly 200 trade remedies cases related to export commodities. These cases mostly involve major markets such as India, the US, the EU, in addition to some emerging ASEAN markets.

Previously, only some commodities with high export turnover such as steel and seafood came under investigation. At present, several goods that have a small export turnover have been looked into, putting duties at risk of being levied by foreign markets.

In addition, the threshold in which to investigate a case has become stricter in recent times in terms of gathering information into the origin of products and tax rates.

According to the results of investigations released by the US Department of Commerce (DOC), from February 2015 to April 2019, the export volume of both corrosion-resistant steel and cold-rolled steel from the country to the US surged by 332 per cent and 916 per cent, respectively.

The DOC came to conclusion that 'made in Vietnam' steel products have been produced using substrate of Korean or Taiwanese origin in order to circumvent anti-dumping and countervailing duties imposed by the US.

The imposition of these duties has seen a number of domestic businesses come under pressure from export markets, causing significant financial damage to the Vietnamese steel industry.

Nguyen Thanh Trung, Chairman and CEO of Ton Dong A Joint Stock Company, said that in the past, the nation's steel products had enjoyed boosts in exports to a number of countries, including many in Europe along with the US.

Recently, the US has been taxing Vietnam and continued to draw up policies of restricting the country's use of materials from China, the Republic of Korea, and Taiwan.

Trung added that the imposition of anti-dumping duties on steel products imported from Vietnam has had an impact on the operations of local steel producers.

A number of domestic steel factories have suffered restrictions on their export activities to EU nations, the US, and Southeast Asia. This is occurring alongside Vietnam being flooded with a huge influx of Chinese imports.

Businesses in general, and Ton Dong A Joint Stock Company in particular, have come under pressure due to the duties being levied by foreign markets. As a result, each business should work out a proper strategy in order to cope with the situation which is likely to last for several years, particularly with the escalation of the ongoing US-China trade war.

Amid complicated developments surrounding trade remedies taken by foreign markets, lawyer Nguyen Thanh Ha, Chairman of SBLaw firm, said the decision by the US DOC has resulted from the pressure put by US producers, who saw a sharp rise in the import quantity of steel products from Vietnam to the US.

Ha noted that this followed the application of safeguard measures adopted by countries, adding that the US has the right to launch investigations in order to apply necessary safeguard measures on steel imports from the nation to protect domestic producers according to its law.

Ha pointed out that if the US chooses to slap a high tax on Vietnamese exporters, it will affect the volume of steel imports coming into the US market, causing a rise in the price of products and a fall in the demands of US importers. In turn, this will certainly exert a negative impact on steel producers in Vietnam.

To limit the cases of trade remedies, domestic businesses should meticulously study regulations on anti-dumping duties and US regulations on trade defense before going ahead and exporting their goods to the US market, Ha stated, adding

that they should work closely alongside consulting firms from the US in order to gain a better understanding to aid their export activities.

Ha noted that it would be wise if local firms did not create a massive influx of export commodities into the US market and sell their products at low prices. This is because US producers will immediately respond and implement policies that serve to protect their own domestic production.

Ha, therefore, recommends that Vietnamese enterprises acquire information and improve their knowledge of international regulations and laws through associations.

They must formulate appropriate export strategies in order to avoid anti-dumping duties and other trade remedies imposed by the US, he stressed.

8. Retail sales hit US\$120 billion in seven months

Of the figure, VND2.134 quadrillion (US\$91.76 billion) were sourced from goods, representing 76.1 per cent of the total and an annual rise of 12.5 per cent.

A number of essential commodities saw an increase in sales during the reviewed period. For instance, the sales of learning and cultural items enjoyed a surge of 14.2 per cent while that of food and foodstuffs, and garment and textile products increased by 12.8 per cent and 10.7 per cent, respectively.

Accommodation and restaurant services made revenues of VND337.5 trillion (US\$14.51 billion) during the seven-month period, representing 12 per cent of the total and a year on year rise of 10 per cent.

Elsewhere, travel services were estimated to earn VND25.8 trillion (US\$1.1 billion) throughout the reviewed period, making up 0.9 per cent of the total and a year on year hike of 12.5 per cent.

July alone saw the retail sales of goods and services amount to VND415.1 trillion (US\$17.84 billion), upping 1.7 per cent against the previous month and 12.4 per cent on year.

Of the figure, VND312 trillion (US\$13.41 billion) were contributed by goods retail while a combined VND51 trillion (US\$2.19 billion) came from accommodation and restaurant services. Additionally, travel services enjoyed the total revenues of VND3.9 trillion (US\$167.7 million).

Corporate News

9. BTP: BOD resolution dated July 31, 2019

↓ -1.14%

The Board resolution dated July 31, 2019, Ba Ria Thermal Power Joint Stock Company approved the following issues:

The Board of Directors approved the business plan in Q2.2019:

- Total output of production electricity: 204.07 million kWh

- Total output of commercial electricity: 199.00 million kWh

- Total revenue: 773.234 billion dong

- Total expenses: 696.517 billion dong

- Profit before tax: 76.717 billion dong.

2. The Board of Directors approved the business plan in Q3.2019:

- Total output of production electricity: 314.00 million kWh

- Total output of commercial electricity: 305.43 million kWh

- Total revenue: 495.907 billion dong

- Total expenses: 463.752 billion dong

- Profit before tax: 32.155 billion dong.

10. CII: CII transfers stake at Hoa Phu JSC

↓ -0.46%

On July 30, 2019, Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) completed the transfer of CII's entire stake at Hoa Phu Joint

Stock Company as planned. Therefore, as from July 30, 2019, Hoa Phu Joint Stock Company is no longer an associated company of CII.

11. Stock market briefs on August 1, 2019

↑ 0.00%

HCMC - Power Engineering Consulting JSC 2 (TV2) booked over VND1.6 trillion in revenue in the second quarter of the year, up a staggering 292% against 2018, its after-tax profit also rose 40% year-on-year at VND88 billion. The firm said in a recent financial report that its revenue and after-tax profit in the first six months soared 212% and 15%, respectively, at VND2.2 trillion and VND140 billion.

HCMC - Canadian life insurer Manulife Vietnam on July 31 launched a new comprehensive financial solution "Manulife - Blissful Journey", which

allows customers to save money, invest and secure their finance against risks in life.

HCMC - The Hochiminh Stock Exchange decided on July 31 to remove An Giang Fisheries Import & Export JSC (AGF) from the share trading suspension on the exchange and the firm will be on the watch list from August 2, instead.

HCMC - Mai Van Chanh, board chairman of Nui Nho Stone JSC (NNC), has registered to offload over 203,000 NNC shares from August 5 to September 3.

HCMC - The board of directors of Dai Thien Loc Corporation (DTL) has passed a scheme to transfer two land lots totaling 830 square meters in Vi Thanh City, Hau Giang Province to Nguyen Thanh Nghia. The transfer price is VND2.7 billion.

HCMC - Development Investment Construction Joint Stock Corporation (DIG) will sell nearly 15 new million DIG shares to raise funds for a 2018 dividend payment of 5% for its shareholders. It will close the shareholder list on August 15.

HANOI - Vietnam Export Import Bank (Eximbank), a major shareholder of Vinaconex Investment and Tourism Development JSC (VCR), sold two million VCR shares from July 9 to 24 to cut its ownership to 1.9 million shares, or a 5.42% stake, in VCR from the current 3.9 million shares, equivalent to 11.09%.

HANOI - South-East PetroVietnam Fertilizer and Chemicals JSC (PSE) has set August 9 as the ex-dividend date to pay a 2018 cash dividend of 8% to its shareholders, with the record date of August 12. The payment is slated to start from August 30.

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