



VIETNAM DAILY NEWS

August 06th, 2019



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Market Analysis

1. Stocks down on global uncertainties

VHM suffered the biggest decrease as it closed the day at an intraday low of VND85,200 per share, down 5.5% compared with the previous session. Meanwhile, VIC fell 3.6% at VND118,000 and VRE fell 3.4% at VND35,000.

Most other stocks performed poorly in tandem with the regional downtrend, pushing the VN-Index down a hefty 17.95 points, or 1.81%, against last Friday at 973.15. The HCMC bourse saw nearly 196 million shares changing hands with a total value of VND5.1 million, up 4.9% and 9.2%, respectively.

Earlier, many securities experts expected the market downtrend to continue this month while investors are finding it harder to earn profits in the short term.

Last week, the market rally stopped on Friday because investors were afraid of negative developments in United States-China trade tensions. U.S. President Donald Trump announced another 10% tax bill on US\$300 billion worth of Chinese products.

Meanwhile, the U.S. Federal Reserve's July meeting concluded with interest rates cut by 25 basis points instead of 50 basis points as expected. Global investors are concerned that the Fed's statement on future rate cuts seems too soft and depends on the strength of the U.S. economy.

Speaking with tinnhanhchungkhoan.vn, Le Duc Khanh, director of market strategy at PetroVietnam Securities JSC, said the unpredictability of U.S. policy has made global economies and equities markets more volatile.

Those developments will have deep impact on other central banks' monetary policies and on commodities like oil and gold, thus global stock markets may fall further this week.

Hoang Thach Lan, director of the individual investors department at Viet Dragon Securities Company, said the local market has made little reaction to international news and internal factors since March.

This month, the U.S. and China will return to negotiations for a trade deal. A lot more tough decisions and negative news are expected and the market sentiment will be dampened. Besides international news, the fundamentals of the Vietnamese stock market are not as good as expected because corporate earnings are below expectations, Lan said.

On the Hanoi Stock Exchange, the HNX-Index lost 0.8 point, or 0.77%, versus last Friday at 102.91. Trading volume improved 10.2% at 31 million shares while value expanded 5% at VND456 billion.

2. Insurance stocks fail to attract individual investors

Ten insurance companies are trading on the Vietnamese stock market but only Bao Viet (HoSE: BVH) has seen its share price approach VND80,000, as its shares ended Monday at VND78,600 per share.

Meanwhile, another nine stocks closed Monday at maximum VND36,500 per share – almost half of Bao Viet's share price.

It is obvious insurance stocks are undervalued on the market despite their gains in earnings, local media reported.

In the first six months of 2019, Bao Viet recorded its combined revenue was up slightly from the previous year to VND20.9 trillion.

With a six-month post-tax profit of VND670 billion, the company also fulfilled 54.6 per cent of its post-tax profit for the year.

Other insurance businesses such as Post and Telecommunications Insurance JSC (HNX: PTI), BIDV Insurance Corp (HoSE: BIC), Agribank Insurance (UPCoM: ABI) and Military Insurance Corp (UCPoM: MIG) also performed well in the first six months but their shares are not too expensive at the moment.

Another leading insurer – Bao Minh Insurance Corp (HoSE: BMI) – on June 21 paid a 12 per cent dividend in cash to investors for 2018's results. The company has not revealed its results in the first six months, but early forecasts point out the company will release good figures.

According to the Insurance Association of Vietnam (IAV), the domestic insurance market was strong in the first six months of the year.

Total revenue of insurance fees in six months increased 16 per cent year on year to VND69.4 trillion. Of the figure, revenue of life insurance was up 17 per cent year on year to VND44.2 trillion and non-life insurance rose 14 per cent to VND25.2 trillion.

IAV figures mean insurance companies saw good earnings in the first six months. Therefore, there is plenty of room for insurance firms to improve earnings in the future, especially as Vietnamese people are paying more attention to insurance deals in order to prepare for risks.

However, insurance stocks may not be attractive to individual investors because of their modest dividend payout rates.

3. Shares tumble on massive selling

The benchmark VN-Index on the Ho Chi Minh Stock Exchange dropped 1.81 per cent to close at 973.15 points.

Nearly 196 million shares were exchanged on the southern market, worth VND7 trillion.

The VN-Index declined 0.22 per cent last week.

The market opened the week with heavy pressure from many large-cap stocks. Pillar stocks of the market were sold strongly and simultaneously

In recent years, insurance firms have been paying dividend payout rates of 10-15 per cent each year.

Bao Viet plans to pay a 10 per cent dividend to investors between July and September for last year's results. The amount of the dividend payout is estimated at VND700 billion.

Its dividend payout rate has remained the same over the last few years.

However, the firm's share trading liquidity is only 220,000 shares in each session, which is modest compared to other large-cap stocks.

A similar trading situation also happened to other insurance stocks as their liquidity is quite low.

But to institutional investors, insurance stocks do have value.

The buying in insurance stocks of institutional investors, especially foreign companies, will help local firms access international practices and standards to make impressive growth rates in the local market.

Recent deals are between the Canada-based FairFax and BIDV Insurance Corp, between Post and Telecommunications Insurance Corp and DB Insurance.

decreased, specifically Vingroup (VIC) (-3.7 per cent), Vinhomes (VHM) (-5.5 per cent), Vincom Retail (VRE) (-3.4 per cent), Vietcombank (VCB) (-2.1 per cent), Asia Commercial Bank (ACB) (-1.4 per cent), PetroVietnam Gas JSC (GAS) (-1.9 per cent), Vinamilk (VNM) (-1.6 per cent), Masan Group (MSN) (-2.8 per cent) and Viet Nam National Petroleum Group (PLX) (-2.9 per cent).

Besides GAS, many stocks in the oil and gas group such as PetroVietnam Technical Services Corporation (PVS), PetroVietnam Drilling and Well Services Corporation (PVD), and

PetroVietnam Construction Corporation (PVC) also declined.

In the opposite direction, some large-caps grew such as Mobile World Group (MWG) (+ 1.4 per cent) and FLC Faros Construction Joint Stock Company (ROS) (+2.2 per cent), but they could not save the market from a strong decline.

Asia Reach Investments Limited registered to sell nearly 1.3 million shares of Asia Commercial Bank (ACB) from August 6 to September 4. At the same time, First Burns Investments Limited also registered to sell over 513,200 ACB shares.

On a sector basis, dragging the market down were oil and gas, real estate, securities, insurance, seafood processing, and food and beverages, data on viestock.vn showed.

Large-cap stocks underperformed, pulling the VN30-Index down 1.46 per cent to 872.39 points, with 20 of the 30 largest stocks by market value and trading liquidity declining.

The HNX-Index on the Ha Noi Stock Exchange fell 0.77 per cent to end Monday at 102.91 points.

The northern market index lost 0.52 per cent last week.

Net selling value of foreign investors was VND290.12 billion on HOSE, including Vietjet Air (VJC) (VND62.78 billion), Hoa Phat Group (HPG) (VND56.99 billion) and Vincom Retail (VRE) (VND44.29 billion). They were also net sellers on HNX with a value of VND15.38 billion.

According to BIDV Securities Company (BSC), the market had a negative trading session following the general trend in the region when concerns about the possibility of a worsening of the Sino-US trade war were underpinned by the Chinese central bank's move to adjust the exchange rate.

Investors should be cautious when trading at this time because the market's fluctuations could continue in coming sessions, the company said in its daily report.

Macro & Policies

4. Thua Thien-Hue works to attract more investment

According to Hoang Viet Trung, Vice Director of the provincial Department of Planning and Investment, the province will create optimal investment and business environment with attractive incentives and smooth management mechanisms, thus helping investors have long-term and stable operation.

Trung said that the province will focus on creating easier capital access to businesses, especially small- and medium-sized enterprises and startups.

In the first seven months of 2019, Thua Thien-Hue saw the establishment of 405 new firms with a combined registered capital of over 4.6 trillion

VND (197.8 million USD), up 45 percent year on year.

Trung said that in the period, the province's budget collection reached nearly 4.2 trillion VND, up 8.7 percent year on year, while export revenue also rose 10 percent. Small businesses made great contributions to the results, he added.

He also noted that the province's activities to support and build startup ecosystem or innovative startups have focused on serving enterprises and help startups develop on the right direction.

This year, Thua Thien-Hue plans to attract 15 domestic and foreign projects worth 400 million USD.

5. Two groups invest nearly 7.7 trillion VND in Yen Bai's tourism

One project will be carried out by an affiliate of the AlphaNam Group at a cost of 4.98 trillion VND (215.52 million USD). A resort, trade complex and hotel will be built across more than 2,590 ha in Thac Ba Lake area in Yen Binh district.

The project is expected to complete in the next 12 years.

Prime Minister Nguyen Xuan Phuc has approved a master plan on the development of Thac Ba Lake national tourism site until 2025.

The site, located in Yen Binh district and Thac Ba town, will cover a total area of around 28,800 ha. About 1,200 ha (excluding the area of the water) will be used to develop the tourism zone.

The plan aims to turn the Thac Ba Lake site into a national tourism hub by 2025.

Meanwhile, an affiliate of the TH Group will pour 2.7 trillion VND into the Van Hoi eco-tourism site and resort.

Spanning in more than 764 ha in the province's Tran Yen district, the project will be put into operation in 2025.

As of July 24, Yen Bai has allowed 28 firms to launch new investment projects in the province, with registered capital exceeding 12.3 trillion VND, according to the provincial Department of Planning and Investment.

Local authorities had also created optimal conditions for real estate developer Sun Group to conduct surveys for a multi-function complex along the Yen Bai section of the Noi Bai – Lao Cai highway.

6. Vietnam, Thailand agree to expand cooperation in e-payment

Vietnam and Thailand have agreed to expand cooperation in the finance-banking sector, particularly the e-payment, with the aim of facilitating cooperation in economic, trade and investment relation between the two countries.

The move, in turn, would help reduce costs and ensure smooth transaction for investors and enterprises, said Veerathai Santiprabhob, governor of the Bank of Thailand (BOT) in a meeting with Prime Minister Nguyen Xuan Phuc on August 5.

Santiprabhob said the two countries have huge potential for cooperation in banking supervision, payment facilitation, cross-border transaction, and minimizing risks in banking operation in digital era, among others.

Thailand is willing to support Vietnam's initiatives for greater ASEAN integration as well as in promoting bilateral relation, especially in the finance-banking sector, Santiprabhob added.

According to the BOT's governor, the Fourth Industrial Revolution presents opportunities for Vietnam to make a leap in development, including e-payment towards a cashless society, which opens door for cooperation between two central banks.

The BOT stands ready to share experiences and cooperate with the Vietnamese government and the State Bank of Vietnam (SBV) in providing banking services and products.

Prime Minister Phuc said the Vietnamese government fully supports greater cooperation between the BOT and the SBV, particularly in e-payment, given BOT's key role in supporting enterprises.

Phuc stated the Vietnam – Thailand strategic partnership has been growing strongly, focusing on the trade and investment relation.

Thailand is currently Vietnam's largest trading partner in the ASEAN with bilateral trade turnover of US\$17.3 billion in 2018, which remains on track to reach US\$20 billion in 2020, Phuc added.

Of 116 countries and territories having investment projects in Vietnam, Thailand remains the 10th largest investor and the third in ASEAN with registered capital of over US\$8 billion.

Vietnam gives priority to supporting Thai investors in the country, Phuc stressed, saying the two governments have been putting efforts in protecting lawful rights of investors and enterprises of Vietnam and Thailand.

Under growing global uncertainties, Vietnam has been stabilizing macro-economic conditions and the exchange rate policy, while staying committed to cooperating with neighboring countries, including Thailand, in dealing with global economic shocks, stated Phuc.

7. Chinese FDI: Vietnam needs to assess carefully to prevent risks

A study by VEPR found a rapid increase in Chinese investment in Vietnam.

Chinese capital has been following different ways to penetrate Vietnam, including EPC contracts and changed sources.

“Since Vietnam is unsympathetic towards Chinese investment, some Chinese investors have set up businesses in Japan and Hong Kong, and then

registered investment in Vietnam,” Nguyen Duc Thanh, head of VEPR said on Tien Phong.

The finding has raised concerns that Vietnam tends to use too much Chinese capital, which may lead to a heavy reliance on China.

Chinese FDI flow to Vietnam over many years has caused problems related to the environment, social issues and the labor market.

Slow implementation and technical problems occurred with energy projects. Vinh Tan 1 and Vinh Tan 2 thermopower plants are typical examples.

According to VEPR, FDI capital from China with high technology mostly heads for countries with a high-quality labor force. Chinese capital into Vietnam mostly goes to mining, textiles and garments, and chemical projects.

Dinh Trong Think from the Vietnam Finance Academy said all investment sources are welcomed. However, Vietnam needs to 'filter' foreign capital and only receive investment which can bring efficiency to economic development.

If Vietnam cannot choose the projects most suitable, the foreign investments, no matter whether they are from China or the US, or any other country, will become a burden on Vietnam.

Regarding investment from China, Think said Chinese capital has typical characteristics.

First, in recent years, the government of China has been tightening investments in some business

fields which cause pollution and use outdated technologies. As a result, the investors in the fields tend to set up production facilities overseas, especially in countries which apply lax management policies.

Second, strong and weak points of China's economy have been exposed in the US-China trade war. Many products have become abundant and cannot be exported to the US. China wants to export products to neighboring countries instead.

Chinese enterprises tend to make investments in Vietnam in order to obtain Vietnamese origin which allows them to enjoy preferential tariffs when exporting products to markets that Vietnam has FTAs with.

As a result, Vietnam is at risk of becoming the country which receives waste technology from China.

Dong Nai and Vinh Phuc provinces recently refused projects which use outdated technologies and cause pollution.

8. US begins investigation into wind towers imported from Vietnam

The products under investigation include wind towers coded HS: 7308.20 and 8502.31.

In addition to Vietnam, Canada, Indonesia, and the Republic of Korea are also being investigated.

The investigation dates back to the 2016-2018 period in order to determine the loss suffered by the US's domestic manufacturing industry.

The country exported wind towers worth approximately US\$21.4 million to the US last year with the alleged dumping margins being 39.97 per cent to 65.96 per cent for Vietnam.

The US International Trade Commission (ITC) and DOC are expected to request that Vietnamese exporters and manufacturers answer an

investigation questionnaire within 37 days from the start of the investigation.

The ITC will issue preliminary conclusions regarding losses to the US' manufacturing industry on August 23, 2019.

Furthermore, the DOC plans to issue their preliminary conclusions on dumping on December 17, 2019 whilst their report on anti-subsidies should be concluded on October 3, 2019.

In response to the investigation, the Trade Defence Department of the Ministry of Industry and Trade has also asked relevant local firms to co-operate with the investigating agencies. In addition, they have been requested keep up-to-date information during the investigation process.

9. Singaporean, Malaysian firms eye business opportunities in Can Tho

Based on the rising demand for cooperation expansion and investment promotion among Singaporean and Malaysian partners, Can Tho City invited import firms from the two countries to visit the city to purchase products and make deals, the CPA stated.

The call is expected to give the city and the Mekong Delta region a chance to introduce local products and highlight the region's potential for business and investment activities, the agency noted.

The move was aimed at strengthening business connections, boosting cooperation to develop the hi-tech agricultural sector and revving up exports of the Mekong Delta region's key farm produce such as rice, seafood and canned fruit.

The delegation will visit processing and export firms in the city, such as NTSF Seafoods Company, Ngoc Quang Phat Export Import JSC and Thuy Son JSC today.

On August 6, these Singaporean and Malaysian firms will join a meeting to discuss cooperation

and investment opportunities with firms in the region.

Can Tho City made over US\$2 billion in export revenue in 2018, up 13.14% against the figure seen in 2017, whereas it spent US\$450 million importing goods, up 5.17% year-on-year.

In the first quarter of 2019, the city's export earnings amounted to over US\$560 million, rising 11.86% year-on-year and its import revenue was reported at US\$118 million, up 12.86% against the same period last year.

As of May, Can Tho City attracted 82 foreign direct investment (FDI) projects with total pledged capital of US\$719.9 million. These projects were funded by South Korean, Singaporean, Thai, American, German and Japanese investors.

Singapore alone saw its firms injecting total registered capital of US\$129.2 million into 10 FDI projects in the city.

10. World Bank, Japan support Vietnam in improving tax system's effectiveness

The project aims to improve the effectiveness of tax administration through the use of a comprehensive risk management system and by redesigning business processes and information technology used by the tax department.

It will also support the modernization of the tax policy framework by assessing the impact of tax policy changes.

“The World Bank's commitment to this project is a sign of our broader commitment to working with Vietnam in strengthening its fiscal performance and adopting growth-friendly fiscal reforms,” said Ousmane Dione, the World Bank country director for Vietnam, in a statement.

He added that by focusing on the tax system, the project will help enhance domestic resources

mobilization, which is an important pillar of fiscal consolidation.

The changing composition of Vietnam's tax revenues, leaning toward increased reliance on domestic sources, poses both opportunities and challenges. This calls for enhanced efforts to strengthen tax policy formulation and modernize tax administration.

There is a need to strengthen the performance of core tax administration areas, especially those with high impact on tax compliance, operational efficiency and transparency.

The tax policy framework should aim to broaden the base and rebalance the tax mix to exert coherent effects on sustainable revenue mobilization and reduce the tax-induced burden on growth and equity.

A major component of this project is the development of a roadmap to modernize the Information Technology System for tax administration and lay a foundation for IT infrastructure, so the General Department of Taxation can use modern IT solutions for business processes.

Another component focuses on building the capacity of policymakers to analyze and formulate tax policies. The project will analyze the impact of

proposed changes to core tax instruments, in line with Vietnam's Tax Reform Strategy and international best practices. It also supports the preparation of the legislative framework to introduce a property tax.

The grant is being provided by the Japanese Government through the Policy and Human Resource Development Program, which is administered by the World Bank.

Corporate News

11. Stock market briefs on August 5, 2019

↓ -1.68%

HANOI – Real estate developer SonKim Land Corporation has raised US\$121 million from a consortium of investors led by EXS Capital, ACA Investments and Credit Suisse AG's Singapore branch, Vietnamplus website reported. It mobilized US\$37 million in 2013 and US\$46 million in 2016. In the latest fundraising round, SonKim Land wants to continue developing properties in Vietnam, including luxury residential, commercial and hospitality developments in HCMC.

HANOI – The Vietnam Electricity Group (EVN) will divest all its capital from the EVN Finance Company (EVF) by auctioning 18.75 million EVF shares, equal to 7.5% of EVF's charter capital, on August 23. With the initial price of VND13,480, EVN expects to earn more than VND252 billion from the deal. ABBank is now the biggest shareholder of EVF with an 8.4% stake.

HCMC – Phat Dat Real Estate Development Company (PDR) plans to issue VND225 billion worth of inconvertible secured bonds, which will come with a one-year term and an expected

coupon of 9.5% a year. Interest will be paid every three months. PDR expects to issue the debt in the third quarter for less than 100 investors, excluding professional securities investors. This is the company's sixth bond sale this year, with the lowest interest rate in the issuing periods.

HCMC – An Phat Bioplastics Company (AAA) saw its second quarter revenue growing nearly 5% year-on-year to VND2.43 trillion. The company's revenue growth was attributed to higher incomes from leasing land and selling assets while the cost of selling goods was cut in the second quarter.

HCMC – Sacombank (STB) is carrying out a July 22-October 19 promotion program for individual customers who make deposits, use banking services, receive remittances, and access e-banking services. Clients will receive codes to enter a lucky draw at the end of the program, which offers a Toyota car, and trips to the United States, Europe and Southeast Asia.

HCMC – Vu Dinh Do, chairman of Dong Nai Plastic Company (DNP), has acquired 500,000 DNP shares to spur his ownership to over 10.5 million shares, equal to 10.56%.

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