



# VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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## Market Analysis

### 1. VN stocks up, market outlook remains gloomy

The benchmark VN-Index on the Ho Chi Minh Stock Exchange inched up 0.22 per cent to close at 968.91 points.

The VN-Index fell 0.87 per cent on Tuesday.

Nearly 151.5 million shares were traded on the southern bourse, worth VND3.46 trillion (US\$148.8 million).

The Vietnamese stock market was driven by the insurance, technology, agriculture, construction and retail sectors.

Their sector indices rose between 0.9 per cent and 2 per cent, data on vietstock.vn showed.

Those sectors' growth was despite investors' caution about current market conditions, according to securities firms.

The increases of local stocks in the early stages of the day trapped a number of investors at high price levels, VNDirect Securities Corporation (VNDS) said in its daily report.

That trap and concerns about the uncertainty of global stocks forced investors to start selling, showing they wanted to minimise risks towards their portfolios, the company said.

Foreign investors sold a net VND225 billion worth of local stocks. Their moves complied with the global trend in which investors tried to run from risky assets and into safe havens such as bonds, VNDS said.

There were some signals that international markets would experience some uncertainties in the short term and investors seemed confused, VNDS said, adding they were betting that global stocks would decline strongly.

Global stocks cheered on Tuesday night after US President Donald Trump delayed imposing a 10 per cent tax bill on \$300 billion worth of American products, worrying the tax bill could hit US year-end shopping season.

However, data from the Chinese administration showed the second largest economy had the weakest industrial output growth in 17 years.

The caution of professional investors was quite clear because short term capital inflow, which is referred to individual investors' purchases, depends on their decisions, VNDS said.

Investors began seeking opportunities in small-cap firms, according to MB Securities Co (MBS). However, it often means the end of the market's short-term uptrend as large-cap stocks are running out of momentum to lift the market.

On the Ha Noi Stock Exchange, the HNX-Index dropped 0.30 per cent to end at 101.98 points.

The northern market index lost 0.51 per cent on Tuesday.

More than 22.6 million shares were traded on the northern market, worth VND336 billion.

## Macro & Policies

### 2. Experts oppose to private placement of start-ups

The amended draft law on securities, expected to be approved by the National Assembly meeting in May, regulates the private placement shares of a start-up company is directly detailed and monitored by the Government.

Private placement is the sale of an issue of debt or equity securities to a single buyer or to a limited number of buyers without a public offering.

According to the Ministry of Finance, the drafting agency of the new law, the regulation aims to create a legal basis for start-up enterprises to conduct private placement, facilitating the creation of a capital channel for start-ups, allowing them to access capital right from the very first stages, ensuring equality between businesses.

But many experts expressed their objection or urged for more careful consideration when including the regulation in the new law.

Vu Bang, former Chairman of the State Securities Commission suggested clarifying the scope and scale of start-up enterprises subjected to the regulation to avoid overlapping with the provisions of Law on Support for Small- and Medium-sized Enterprises.

“It is very risky to allow a start-up to list on the stock market when it is not ready because in most of cases, only the State or the angel funds could sponsor the firms when they first introduce their business idea,” Bang said.

“In developed countries, if the start-up can prove their effectiveness, the venture capital funds will

provide finance support in the second stage, and after that, if the business grows well, it will be approved for listing.”

He added that start-ups, especially technology-based enterprises, needed huge capital with many unique ideas and many countries support them by opening up a secondary market for them to trade, Viet Nam can also consider this idea.

Meanwhile, according to Le Xuan Nghia, a member of the Prime Minister's Economic Advisory Group, countries seeing start-ups flourish such as Finland, Israel or South Korea allow the firms to list shares on the stock market.

“However, they have a firm scientific and technical base, advanced education and training system,” Nghia said.

“Meanwhile, we still have many limitations. A large number of business leaders in our country still lack legal knowledge, corporate culture as well as social knowledge.

“Therefore, it is very risky for these enterprises to participate in the stock market, at this time, we should only let them join the secondary market,” Nghia said.

In Ireland, the Government often holds a stake of about 70 per cent of capital in start-up enterprises. But when the Government wants to withdraw capital from these firms, they must prepare procedures for the businesses to list on the stock market and must strictly comply with the standards of the stock exchange, Nghia said.

### 3. ANZ expert highlights Vietnam's path to success

Goh noted in an article on the website bluenotes.anz.com that Vietnam's gross domestic product growth in the first half of 2019 was solid amidst the downturn in global trade and the impact of African swine fever (ASF) on the agriculture sector.

ANZ Research maintains its full-year 2019 GDP growth forecast for Vietnam of 6.7 per cent. Although this is lower than the 7.1 per cent growth rate achieved in 2018, it reinforces Vietnam's place as one of the fastest-growing economies in Asia.

Inflation is expected to remain manageable, averaging 2.8 per cent in 2019 which is below the State Bank of Vietnam's 4 per cent target. ANZ Research sees monetary policy being on hold this year.

This adds up to a solid performance considering the headwinds from the external sector and the ongoing impact on the domestic agricultural sector from ASF.

He believes that Vietnam continues to reap the benefits of past reforms and commit to further ongoing reforms. The country is on track to double its per capita gross national income from US\$2,400 in 2018 to US\$4,800 by 2028, graduating to upper middle income status.

Vietnam has managed to avoid the deeper slowdown seen in other Asian economies thanks to continued foreign direct investment (FDI) flows and export growth - which also bucks the regional trend.

He urged Vietnam - an alleged beneficiary of US-China trade tensions - to manage the strong FDI inflows to ensure adequate resource allocation while preventing overheating.

The Government's shift towards a focus on attracting new-generation FDI is needed to ensure sustainable economic development.

Goh asserted that strong FDI inflows and the rapid shift in the mix of manufacturing towards higher-value-added products during the current decade has helped lift labour productivity growth, which is soon expected to average 6.4 per cent a year.

However, the slowdown in population growth means it will contribute less to growth in the coming decade. Sustaining strong productivity growth will be important to maintain sustainable growth.

ANZ Research believes with the Government's focus on attracting new-generation FDI, high rates of productivity growth can be sustained, though

some slowing from the high rates seen this decade is likely.

The rising trade surplus with the US is starting to attract attention. Vietnam has been placed on the US Treasury's Monitoring List and there could be pressure to allow the Vietnamese dong to become more flexible.

ANZ Research does not expect Vietnam to be labelled a currency manipulator as the VND has largely been moving in line with regional currencies. But the country should continue to build its foreign exchange (FX) reserves given the low adequacy level at present.

The ANZ expert said that growth in Vietnam's services sector has remained robust at 6.83 per cent year on year in the second quarter, as strong wage growth and growing urbanization helped boost wholesale and retail trade.

Expanding manufacturing and external trade activity has also ensured strong growth for both the transport and warehouse sectors, while the financial services sector continues to benefit from growth in the overall economy.

Demographics is another issue that requires increasing policymaker attention. Although the working age population is still growing in absolute numbers, it peaked in 2015 as a proportion of the total population.

Vietnam is aging, the number of people over the age of 60 will rise rapidly, resulting in the dependency ratio doubling within 20 years. This is one key reason why ANZ Research expects to see a slowing in Vietnam's medium-term potential growth rate towards 6 per cent over the next decade.

Managing this structural change requires timely measures in areas such as the retirement age and pension reforms. If successful, such reforms could be sufficient to move the country into the upper-middle income category.

#### 4. High-tech FDI shouldn't be taken for granted

"I'm afraid it doesn't look very promising," said Nguyen Duc Thanh, director of the Vietnam Institute for Economic and Policy Research (VEPR), commenting on a claim by a former Japanese ambassador to Viet Nam that some 20,000 Japanese businesses in China were said to be on the lookout for alternatives.

Whether they go to Viet Nam, India or Indonesia or elsewhere will come down to said country's business environment and quality of labour force, he said.

Among ASEAN countries, Malaysia, Indonesia and Thailand are countries with better industrial infrastructure. India enjoys a significant advantage of having English as a common language and a massive young labour force. Viet Nam was but one among many options.

Apple supplier Taiwanese Pegatron, for example, signed a letter of intent to invest in a \$1 billion factory in Indonesia instead of Viet Nam in May. While it's safe to assume that FDI from tech firms will continue to flow into the country in the short term, major improvements to Viet Nam's legal framework and investment environment must take place to sway the odds in its favour.

John Chong, CEO of Maybank Kim Eng said in order to take advantage of the shifting of FDI flow from tech firms Viet Nam must make investments to improve its labour force and infrastructure. In addition, the country's financial sector must also quickly develop and adapt to make good use of the opportunities for growth.

In early August, Japanese-Taiwanese Sharp announced the construction of a new factory in southern Binh Duong Province. In an earlier development, South Korean LG decided to move its cell phone production to Viet Nam. According to the Nikkei Asian Review, Apple will also begin trialling its AirPods wireless earphones production in the country in a move to reduce reliance on China.

Figures released by the Department of Foreign Investment under the Ministry of Planning and Investment showed a surge in foreign direct investment (FDI) in the processing and manufacturing sector with US\$14.46 billion, amounted to 71.5 per cent of total FDI into the country during the first seven months of the year.

#### 5. Solar power firms see revenue surge in H1

Gia Lai Electricity (GEC), which owns five solar power plants with a total capacity of 260 MWp, saw its revenue surge 2.3 times year-on-year to VND514 billion (\$22.15 million). Its profit for the period rose by 77.5 percent year-on-year to VND158 billion (\$6.8 million).

All of GEC's plants have exceeded production targets in the first half, and the company expects the trend to continue for the whole year.

Construction firm Ha Do Group, which owns a 48-MWp solar power plant in the central province of Binh Thuan, also saw its hydropower and solar power revenues almost doubling from last year to VND308 billion (\$13.27 million).

Investment firm Bamboo Capital Group saw first revenues from its 40.6-MWp BCG-CME Long An 1 plant in the Mekong Delta province of Long An after launching it on June 23.

The group is now seeing revenues of about VND500 million (\$21,500) a day from this plant. When the Long An 2 solar power plant in the same province starts operating by the end of this year, the revenue would go up to VND1.7 billion (\$73,300) a day for annual revenues of VND450 billion (\$19.4 million) and a profit margin of 13-14 percent.

Vietnam saw rapid construction of new renewable power plants in the first half of this year as investors sought to beat a June 30 deadline to

enjoy price incentives of 9.35 U.S. cents per kWh feed-in tariff (FIT) for the next 20 years.

As many as 81 new solar and wind power plants began operations in the second quarter, adding nearly 4,500 MW to the national grid, equivalent to 10 percent of its capacity.

As of September last year, over 120 solar projects had been approved to be connected to the national grid, with a total capacity of 6,100 MW by 2020

and 7,200 MW by 2030, according to the Ministry of Industry and Trade.

Another 221 projects with registered capacity of over 13,000 MW are awaiting approval.

This means the total registered capacity of solar power projects in Vietnam could reach 26,000 MW, accounting for 60 percent of total capacity from all sources, exceeding the government's initial target to have 850 MW by next year and 4,000 MW in 2025.

## 6. Vietnam upgrades premium healthcare to attract high-spending patients

The Ministry of Health is drafting a proposal to have the cost of premium hospital rooms in public hospitals go up 37 percent from VND2.5 million (\$107.3 ) a day to VND4 million (\$171.7).

Since each room has just one patient bed, with an extra bed for a family member and space for welcoming visitors, it is like a premium hotel room, and nurses are on call at all times, said Nguyen Nam Lien, head of the Department of Planning and Finance under the Health Ministry.

There is a growing demand for premium services in hospitals, he said, adding that the proposal will allow this demand to be met.

Industry insiders say Vietnamese go abroad because there is a lack of top notch treatment and facilities in the country.

"If the bill is implemented well, Vietnamese patients will enjoy healthcare services at lower prices than in other countries, contributing to local hospitals' income," Lien said.

A bone marrow transplant in Vietnam, for instance, costs \$8,000-15,000, but it is 10 times more expensive in Singapore and five times more in Taiwan, Phu Chi Dung, director of the Blood Transfusion Hematology Hospital in Ho Chi Minh City, said.

Up to 100,000 Vietnamese use healthcare services in another country every year, spending about \$2 billion, the health ministry estimates.

Popular destinations are Malaysia, Singapore, Taiwan and Thailand. In Malaysia alone, the number of Vietnamese patients have risen from 8,000 in 2016 to 14,000 last year, according to the Malaysia Healthcare Travel Council. Vietnam is among the five largest healthcare markets for Malaysia, it said.

The bill is being drafted after Ho Chi Minh City last year began a medical tourism initiative by publishing a handbook on the city's healthcare services for foreigners.

The city accounted for about half of the 80,000 foreigners who came to Vietnam for medical treatment in 2017. They spent \$2 billion, of which HCMC accounted for \$1 billion.

Last year, the health ministry recorded more than 300,000 foreigners coming to Vietnam for health treatment, up 50 percent against five years ago.

Vietnam's fast-growing economy, with an aging population, is seeing increased spending on healthcare.

Healthcare expenditure in Vietnam was estimated at \$16.1 billion in 2017, accounting for 7.5 percent of GDP, and is set to grow to \$22.7 billion in 2021, a compound annual growth rate of 12.5 percent, according to market research firm Business Monitor International (BMI).

## Corporate News

### 7. South Korean investment fund offloads 8 pct stake in Cotecons

↑ 2.82%

On Monday spokespersons of five of its subsidiaries announced they had sold 6.31 million shares in Cotecons and were no longer a major shareholder. The fund's holdings have shrunk from 10.31 percent to 2.05 percent following the sale on August 6.

Cotecons reported a second quarter pre-tax profit of VND156 billion (\$6.72 million), down 71 percent year-on-year, the third consecutive quarterly decline and the lowest profit figure in the last four years.

Since 2018 the rising cost of construction materials and increasing competition have squeezed margins, the company management explained in the latest half-yearly report.

On the Ho Chi Minh Stock Exchange, the company's shares closed Monday 3.1 percent down at VND102,000 (\$4.4), down 36.3 percent from VND160,000 (\$6.9) at the beginning of this year and down 55.7 percent from its VND230,000 (\$9.9) peak in early 2018.

Korea Investment Management entered Vietnam in 2006, and has stakes in blue chips such as Vinamilk, Vietnam's biggest dairy company, and steel giant Hoa Phat.

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↑ 0.00%

HCMC – Korea Investment Management Fund has sold 6.31 million shares of Cotecons Construction Company (CTD) to cut its holding from 10.31% to 2.05%. CTD reported a second quarter pre-tax profit of VND156 billion, down 71% year-on-year, the third consecutive quarterly decline and the lowest profit in four years, said *vietstock.vn*.

HCMC – Consumer lender Easy Credit under EVN Finance Corporation has introduced an online lending program via Zalo, allowing customers to provide the firm's Zalo-based system with basic personal data. The system will then automatically give customers advice on lending rates and monthly payment before Easy Credit staff will directly contact customers. Easy Credit has also deployed customer care services on this platform.

HANOI – C.E.O Group (CEO) has completed the issuance of nearly 103 million shares to raise its

registered capital by 66.65% to VND2.57 trillion. The realty firm plans to use the proceeds to invest in its River Silk City project in the northern province of Ha Nam and its subsidiaries namely C.E.O Construction JSC, Van Don Tourism Development and Investment JSC and Nha Trang Development and Investment JSC.

HANOI – Minh Phu Seafood Corporation (MPC) said its net profit soared 46.6% year-on-year to VND171.8 billion in the second quarter of this year thanks to the increase in financial income, which jumped 7.3-fold to VND239.9 billion in the quarter. Its revenue climbed 16.8% to VND2.95 trillion in the period.

HANOI – Vicostone Company (VCS) will spend VND314 billion paying the second round dividend of VND2,000 per share for 2019 on the record date of August 21. The payment is set for August 30.

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