VIETNAM DAILY NEWS

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Market Analysis

1. VN stocks predicted to swing for another week

The benchmark VN-Index on the Ho Chi Minh Stock Exchange increased by total 0.58 per cent to finish last week at 980.00 points.

On the Ha Noi Stock Exchange, the HNX-Index lost total 0.43 per cent to end last week at 102.35 points.

Nearly 206 million shares were traded on the two local exchanges, worth VND4.52 trillion (US$194.4 million).

The opposition of the two local indices means investors are unsure about the short-term prospects of both global and domestic markets, according to analysts.

Global markets have been swinging as investors are waiting for further actions made by the US and Chinese administrations to resolve their trade tensions.

Meanwhile, the benchmark 10-year Treasury note last week went below the two-year rate to stress investors out about the global economic recession.

International investors then tried to offload their local assets and turned to safer ones to avoid the risks.

In Viet Nam, foreign investors last week net-sold VND834 billion worth of Vietnamese shares. They sold net VND1.04 trillion in the previous week.

The last two weeks of net foreign selling indicates foreign investors are running out of confidence, analysts said.

The Vietnamese stock market is now under heavy pressure from the international political and economic news, said Le Duc Khanh, director of market strategy department at PetroVietnam Securities (PSI).

The main concern is how the US economy, if it falls, will affect the Vietnamese economy, he said.

That concern is driving the market sentiment and results in the mixed responses among investors, he added.

The US-China trade war and the development of the US benchmark 10-year bond make the global markets quite volatile, Vu Minh Duc, director of market research and analysis at Viet Capital Securities, told tinnhanhchungkhoan.vn.

This week, there is no sign showing the global stocks will settle down, so the Vietnamese shares may continue hovering, he said.

The foundation of the Vietnamese stock market is not stable, so there is little chance for a sustainable short-term uptrend, according to BIDV Securities Corp.

The market will move in a tight range between 970-985 points this week and more declines are expected, Khanh at PSI said.

Last week, the benchmark VN-Index advanced thanks to the growth of bank and consumer stocks. Techcombank shares (TCB) were the best-performing, soaring total 8.4 per cent in the week.

Other bank shares traded in the positive territory included Bank for Investment and Development of Vietnam (BID), Military Bank (MBB), VPBank (VPB) and HDBank (HDB).

Food and beverage producers also performed well. Vinamilk and Masan shares were among the top 10 stocks that had good impact on the market last week, according to vietstock.vn.

According to Nguyen Trung Du, director of investment department at VNDirect Securities Corp, bank shares are at their one-year lows as worries about the downtrend of the economy and financial sector have sent those stocks' prices too much lower than their actual ones.

The downtrend of the financial sector is a short term story and it cannot be compared to the sector's positive long-term prospects, he said. "The sector's future growth will boost the inflow of capital as long-vision investors will see their drops as opportunities for buying in." .

2. VN stocks gain slower on rising caution

The benchmark VN-Index on the Ho Chi Minh Stock Exchange was up only 0.06 per cent to close the day at 980.00 points.

The benchmark index gained as much as 0.64 per cent during the day. It increased by 0.58 per cent in total this week.

The slowdown of market growth on Friday was attributed to increased selling that hit stocks that gained strongly in recent days, Thanh Cong Securities (TCSC) said in its daily report.

Retail, technology and insurance were the sectors that were brought down. The sector indices fell between 1.3 per cent and 2.1 per cent, data on vietstock.vn showed.

Increased selling pressure at the end of the day meant investors decided to try offloading shares in significantly-gaining stocks, TCSC said.

Those stocks were likely to decline strongly in the short term, the Ha Noi-based brokerage company added.

Top companies in the three sectors saw their shares decline. Retailer Mobile World (MWG) dropped 2.2 per cent, insurer Bao Viet (BVH) lost 1.7 per cent and tech group FPT (FPT) fell 1.9 per cent.

Other sectors that retreated included healthcare and pharmaceuticals, seafood processing and production and building material making.

On the opposite side, real estate, securities, energy and mining, food and beverage and construction lifted the market.

Foreign investors net sold total VND228 billion (US$9.8 million) on the southern bourse, focusing on steel maker Hoa Phat (HPG), budget airline Vietjet (VJC) and Vietcombank (VCB).

As supporting information for the market was missing in August and the development of the international macroeconomy was uncertain, TCSC believed the VN-Index would not grow strongly in the short term.

Market demand would clearly be weak due to external factors and opportunities would be tough to come by on the market, the company said.

Key international events in short term included the US Federal Reserve's meeting scheduled in September, in which investors believe there will be good news, according to MB Securities Co (MBS).

Technically, the VN-Index had met its short-term bottom of 960 points and the market could be lifted, however, growth would be modest, MBS said in its report.

Therefore, the major challenge for the Vietnamese stock market at the moment was net foreign selling, VNDirect Securities Corp (VNDS) said in a note.

The selling of stocks with hot gains was normal as investors seemed happy with their short-term profitability and capital would soon switch to other sectors such as banking and brokerages, the company said.

On the Ha Noi Stock Exchange, the HNX-Index rose 0.67 per cent to end at 102.35 points.

The northern market index made a total weekly loss of 0.43 per cent.

More than VND5.2 trillion worth of 212.3 million shares was traded on the two local exchanges on Friday.

Macro & Policies

3. 93 SOEs to be equitised by 2020

Accordingly, the State holds at least 65 percent of the charter capital in four SOE enterprises, such as the Vietnam Bank for Agriculture and Rural Development (Agribank), the Vietnam National Coal - Mineral Industries Holding Corporation Limited, the Vietnam Northern Food Corporation, and the Mineral One Member Co., Ltd.

The State will hold at least 50 percent to below 65 percent of charter capital in 62 other SOEs, according to the decision.

The PM assigned ministers, chairmen of provincial People's Committees and councils of members of economic groups to be responsible for organising and implementing the equitisation in accordance with regulations.

They were also asked to report to the PM for considering and deciding the adjustment of the proportion of capital held by the State at enterprises that are producing and supplying products and public services, and those playing an important role in local economic development, and other specific cases.

Reports on equitisation progress of enterprises should be reported to the Ministry of Planning and Investment, the Ministry of Finance and the Steering Committee for Enterprise Innovation and Development for synthesis before submitting to the Prime Minister.

Since 2016, as many as 162 SOEs have been equitised with a total value of over 205 trillion VND, or 108 percent recorded during 2011-2015.

4. Vietnam strives to realise goal of becoming powerful marine nation

Immense marine economic potential

The East Sea has been deemed as the second busiest international transport rout in the world as the waters carries more than 45 percent of global maritime shipping. With a total 48 bays and lagoons covering a total area of 4,000 square kilometres, Vietnam has favourable conditions to construct deep-water ports.

The country has a long coastline extending over 3,260km, thousands of islands, and hundreds of beautiful white sandy beaches from the north to the south such as Ha Long, Nha Trang and Da Nang. The 28 coastal cities and provinces account for 70 percent of national tourism revenue.

Regarding marine resources, Vietnam is one of the most biologically diverse countries in the world, as its waters are home to some 12,000 sea species, including more than 2,000 kinds of fish and 2,500 kinds of mollusc. Fishing reserve is estimated at some 4.2 million tonnes, with exploitation potential reckoned at 1.7 million tonnes per year.

In addition, around 35 types of mineral resources have been located in the Vietnamese waters, including oil and gas, metal, building materials, and gemstones. The Gulf of Tonkin, the Gulf of Thailand, the Hoang Sa and Truong Sa archipelagos, as well as the continental shelf all hold great prospects for oil and gas production exploration.

Besides, the East Sea is among the four regions in Southeast Asia with huge potential for renewable energies, including clathrate – a clean energy which can be used in replacement of traditional energy sources like coal, oil and gas.

Oil and gas industry is a spearhead economy of the nation. The industry is truly a driving force to bolster coastal economy as earnings from oil and gas accounts for 10-13 percent of the country's gross domestic product, and makes significant contributions to the state budget.

According to statistics from the Ministry of Planning and Investment, the gross regional domestic product (GRDP) of coastal localities grew by an average 7.5 percent each year during

2008-2017, much higher than the national rate. In 2017, these areas made up 60.5 percent of the national GDP. Particularly, GRDP per capita in the localities reached 64.9 million VND (2,780 USD), higher than the country's average of 53.2 million VND. High GRDP per capita was seen in Ba Ria-Vung Tau (over 225 million VND), Quang Ninh (over 90 million VND), and Da Nang (over 70 million VND).

Striving to become a strong marine country

The target of becoming a strong marine country was clearly stated in the resolution on the strategy for sustainable development of the marine economy by 2030 with vision until 2045, which was adopted at the 8th session of the 12th Communist Party of Vietnam Central Committee.

Accordingly, sea-based industries are expected to contribute about 10 percent to the national GDP, 28 coastal provinces and cities will make up 65-70 percent of the nation's GDP. Sea-based economic activities will develop sustainably in line with international standards while exploitation of marine resources will be controlled within the resilience of the marine ecosystems.

The resolution lays down three breakthrough areas and seven major guidelines to realise the goal, looking to raise public awareness of sustainable development of marine economy, complete institutions and mechanisms, branch out science technology, train high-quality human resources, improve capacity in ensuring security-defence, and encourage the establishment of powerful sea-based corporations.

Deputy Director General of the Vietnam Administration of Seas and Islands Vu Si Tuan suggested integrated management of sea and island environment plays an important role in regulating human activities to protect the integrity of the ecosystem's functions and structure, while improving the ecosystem's productivity to ensure that marine resources are well managed and used effectively.

Other experts believed that it is necessary to build and carry out mechanisms to develop the blue economy.

In fact, many localities have worked to lure investments to develop modern tourism sites which draw large numbers of domestic and international tourists. Many investors registered up to 1 billion USD in their high-end tourism complex projects.

Currently, Vietnam has 17 coastal economic zones established on a land and water surface area of nearly 845,000 hectares. As of the end of 2017, those economic zones attracted 390 foreign investment projects with total investment of 45.5 billion USD, and 1,240 domestic projects valued at 805 trillion VND. Several large coastal economic zones such as Nghi Son, Vung Ang, Chu Lai and Dung Quat have drawn great projects which play an important role in improving local industrial production's capacity and promoting development of other sectors.

Thanks to the Government's support policies, the volume of seafood catch has increased over years. The amount rose from 1.8 million tonnes in 2006 to 3.2 million in 2017. The national fishing fleet now numbers 96,600 vessels of at least 6m long.

The number of seafood processing businesses also surged to 620, with 415 meeting requirements to export products to choosy markets like Japan, the US and the EU, among others.

5. Vietnam risks debt 'crutches' without skills transfer: Economist

Richard Yetsenga, chief economist at ANZ, said in a video on Thursday that structural reforms must be made to sustain growth as “this economic performance is not on auto-pilot” - despite the 7.1 per cent economic expansion in 2018 and exports' traction in positive territory in 2019.

Mr Yetsenga said policies should ensure that skills and expertise are transferred from foreign to domestic firms, even as education levels must improve to support wages. He also warned that Vietnam might otherwise “risk falling back on the crutches that many other countries have used” - public and household debt - to fuel economic growth.

Mr Yetsenga drew a distinction between "a domestic economy, largely supplied by domestic firms, and then an export sector" that has been driven by foreign direct investment into Vietnam. "The inter-linkages between those two sectors are not really strong enough," he added.

"There's not enough transfer of skills and know-how from the foreign firms in Vietnam into the domestic sector, and that needs to happen.

"And, related to that, the skills the domestic labour force need to continue to pick up... You can grow wages for a substantial period of time by being the cheapest producer around, but of course you run into limits when you try to grow living standards in that way."

Besides the skills issue, he identified power prices, and the ability of the utilities sector to meet growing needs, as other stumbling blocks in the path of growth.

"This structural re-orientation issue is only going to get more urgent over the coming few years, even as Vietnam continues to perform very, very well," said Mr Yetsenga.

6. Vietnam to revise how it measures GDP to match intl' norms

The Southeast Asian nation has one of the region's fastest-growing economies, with robust exports and foreign investment delivering average economic growth of 6.55% over the past five years.

The General Statistics Office will revise how it measures GDP with help from experts at the International Monetary Fund and United Nations, the government said in a statement.

"Though Vietnam's statistics input has been improving, it remains insufficient for calculating annual GDP," the government said, adding that recent strong private sector growth has not been fully reflected in its statistical data.

The revision will likely result in a significant increase in the size of Vietnam's GDP, which rose 7.08% last year to more than $240 billion, the government said.

The move will also likely result in changes to the structure of the economy, with a possible increase in the proportion of the manufacturing and construction sector and a decline in the proportion of the agriculture sector, the government said.

Vietnam targets an annual GDP growth of 6.5%-7.0% a year during the 2016-2020 period. ($1 = 23,214 dong).

7. Vietnam's PM requests to complete privatization of 100 state firms before 2021

Prime Minister Nguyen Xuan Phuc has approved a list of 93 state firms subject to privatization until the end of 2020, local media reported.

Among the list, the government would still hold a majority of stake from over 65% at four state-owned enterprises, including Vietnam Bank for Agriculture and Rural Development (Agribank), Vietnam Coal and Mineral Industry Group (TKV), Vietnam Northern Food Corporation (Vinafood 1), and Vietnam Minerals Company.

Additionally, the government expected to hold 50 – 65% stake in 62 other SOEs, including major corporations such as telecom services company MobiFone, Vietnam Posts and Telecommunications Group (VNPT), Vietnam Cement Industry Corporation (VICEM), Hanoi Transport and Services Corporation (Transerco), Urban Infrastructure Development and Investment (UDIC), among others.

The remaining 27 would subject to entire state capital divestment or the state holding below 50% of stake, such as Vietnam Paper Corporation, Saigon Jewelry Company (SJC) or Housing and Urban Development Corporation (HUD).

Ministers, Chairmen of municipal People's Committees and board member of economic corporations could face disciplinary measures for delay or not completing the privatization process of SOEs in subject, stated the PM's instruction.

Additionally, related government agencies and provinces/cities are scheduled to report the progress of the privatization process to the Ministry of Planning and Investment (MPI), the Ministry of Finance (MoF) for supervision.

Following the PM's decision, SOEs would have only 15 months to complete the privatization process, which is considered a major challenge.

As of present, the progress has been slow with 92 out of 127 state firms required for privatization in 2019 having not completed the process, informed the MoF.

From 2017 to the end of the second quarter in 2019, a total of 88 SOEs have completed the divestment process under the PM's request, raising VND8.76 trillion (US$377.57 million) with book value of VND4.55 trillion (US$196.11 million). Meanwhile, divestment activities outside the PM's request have resulted in proceeds of VND110.39 trillion (US$4.75 billion) from book value of VND3.78 trillion (US$163 million), including the Sabeco deal from ThaiBev, stated the ministry.

In a conference on August, Dang Quyet Tien, director of the Corporate Finance Department under the MoF, attributed the lack of commitments from ministries, provinces and executives at SOEs to the slow privatization progress of SOEs.

Meanwhile, problems in finance, land and laborers from periods prior to the privatization also hindered the process at targeted SOEs, added Tien.

A high proportion of state capital in the privatization schemes has also made SOEs less attractive to investors, causing negative impact on the success of the process.

Corporate News

8. CTG: Notice of the first bond public offering of 2019

↑ 0.49%

Viet Nam Joint Stock Commercial Bank For Industry And Trade announces the plan for the first bond public offering of 2019 as follows:

File Attachment

20190816 CTG-190816-Notice-of-the-first-bond-public-offering-of-2019--MN.pdf

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