



VIETNAM DAILY NEWS

August 23rd, 2019



Table of content

Table of content

1. VN-Index still below 1,000 points despite further stock gains
2. Reckitt Benckiser boosts footprint in Vietnam's healthcare market
3. How Brazil and Vietnam are tightening their grip on the world's coffee
4. Foreign investors hold majority stake in Vietnam's 5 leading fintech
5. Central city, US partners agree to boost investment
6. Binh Duong vows to facilitate Taiwanese investors
7. DRC: Board Resolution No.11 on bank loans
8. Stock market briefs August 22, 2019

Market Analysis

1. VN-Index still below 1,000 points despite further stock gains

The VN-Index of the Hochiminh Stock Exchange rose a slight 2.88 points, or 0.29%, against the previous session to close at 997.26, as losers still outnumbered gainers. Stock trade tumbled versus the previous day as there were no large block deals, with volume shedding 24% at 153 million shares and value sliding 25% at VND3.8 trillion.

According to securities firms, seafood stocks such as ABT, FMC and IDI rallied shortly after the United States Department of Commerce (DOC) announced to exempt shrimp exporters of Vietnam from anti-dumping tariffs following its 13th period of review (POR 13).

Oil and gas stocks also performed strongly as Brent futures rose 27 U.S. cents to US\$60.3 a barrel. Having shot up to the ceiling price on Wednesday on positive earnings results in the second quarter of 2019, PVD added 2.5% at VND17,900 with matching volume of nearly 6.4 million shares.

Foreign investors shifted to the selling side as they net sold four million shares valued at VND87.5 billion, after posting a net buying value of VND113 billion on Wednesday. They still net bought 33.4 billion of shares in property giant VIC.

The HNX-Index on the Hanoi Stock Exchange gained 0.49 point, or 0.47%, at 103.5. There were 21.2 million shares worth VND341.8 billion

changing hands on the northern bourse, down 33.5% and 25.9% versus the day earlier, respectively.

Foreign investors net sold 21 stocks with a total value of VND9.1 billion, a 84.6% slump compared to the previous day. Notably, they net sold over VND5.4 billion of shares in petroleum and technical service firm PVS.

According to BIDV Securities Company, in favorable conditions, the VN-Index may test the strong resistance of 1,000 points again.

Bao Viet Securities Company in a report also said the VN-Index is forecast to pick up further after breaking the resistance range of 980 and 986 points. However, the market is likely to experience some falling sessions to retest the supporting range of 986 and 990 points.

Bank and oil and gas stocks are forecast to maintain their rises this week. VN30 stocks, such as budget airline VJC, lender VCB, and property firm VHM, would also maintain their short-term gains. Meanwhile, after a long period of falling, securities and textile stocks are showing signs of recovery in the next couple of sessions, the securities firm said.

Macro & Policies

2. Reckitt Benckiser boosts footprint in Vietnam's healthcare market

With the first phase worth of over VND10 billion (\$434,800), Reckitt Benckiser (RB) will sponsor 100 phototherapy devices for treatment of neonatal jaundice in 96 province/district-level hospitals in 10 cities/provinces across the country.

Besides, RB will also support the development and dissemination of training materials on early detection, diagnosis, and treatment of the disease to healthcare workers as well as providing documents and information about the disease for parents. In collaboration with RB, the Maternal and Child Health Department (MCHD) under the Ministry of Health (MoH) will provide professional support throughout the project's implementation process.

Each phototherapy device can operate for at least 44,000 hours (approximately five years). Health experts expect the 100 phototherapy devices can support early treatment of neonatal jaundice for at least 150,000 newborns in five years.

Addressing the signing ceremony, Prof Dr Nguyen Viet Tien, Acting Deputy Minister of Health, said that neonatal jaundice is one of the most common diseases in newborns. About 85 per cent of full-term babies and most premature babies suffer clinical jaundice. About 6.7 per cent have jaundice in the first 24 hours, 20 per cent of whom need to get treated for neonatal jaundice.

Neonatal jaundice in East Asia occurs 6 times more often than in Europe. While neonatal jaundice is not a serious disease, if it is not detected early and treated in time, it will leave very severe sequelae (such as Kernicterus) for children, and can even result in death.

"The OSCAR project initiated by RB to prevent neonatal jaundice will help mothers and

caregivers detect the disease early while improving the knowledge and skills of healthcare workers in early detection and effective treatment of neonatal jaundice to help reduce the burden on families and society and reduce infant mortality," said Tien.

Bech Soren, general manager of Reckitt Benckiser Vietnam, said: "RB is more than a company. It is a growing community that is present in over 60 countries with more than 40,000 talented and responsible partners, aiming to make the world a happier and healthier place. In Vietnam, we are committed to supporting community health improvement projects, especially for mothers and children. Through our leading global brand, Mead Johnson, we have had a fantastic co-operation with Healthcare Professional and the Ministry of Health."

According to him, the first community project in Vietnam is screening, diagnosis, and treatment of some congenital metabolic disorders (METABOLICS). RB has sponsored solutions and speciality milk to infants and young children who have congenital metabolic disorders. The project began in 2014 and since then saved over 250 children. The second community project is OSCAR which targets to minimise infant fatalities and to minimise complications caused by neonatal jaundice.

"With the efforts of RB and the strong support from MCHD, I believe that the OSCAR project will bring joy to parents when witnessing their children grow up healthily and happily. This is very meaningful to RB's sustainability target in the world and in Vietnam," he said.

At present, RB has several major brands in Vietnam, including Enfa, Strepsils, Durex, and Gaviscon, among others.

3. How Brazil and Vietnam are tightening their grip on the world's coffee

This automatic harvester is one of several innovations that have cut Rinco's production costs

to a level that few who use traditional, labor-intensive methods can match.

With increasing use of mechanization and other new technologies, the world's top two coffee producers, Brazil and Vietnam, are achieving productivity growth that outstrips rivals in places such as Colombia, Central America and Africa.

They are set to tighten their grip.

A plunge in global coffee prices in recent months, to their lowest levels in 13 years, has begun to trigger a massive shake-out in the market in which only the most efficient producers will thrive, according to coffee traders and analysts.

Rival producers elsewhere in the world are increasingly likely to be driven to the margins, unable to make money from a crop they have grown for generations. Some are already turning to alternative crops while others are abandoning their farms completely.

Such shifts are almost irreversible for perennial crops like coffee, as the decision to abandon or cut down trees can hit production for several years.

“Brazil and Vietnam have had consistent increases in productivity, other countries have not,” said Jeffrey Sachs, director of the Center for Sustainable Development at Columbia University, citing advances in mechanization, selective crop breeding techniques and irrigation technology.

In Colombia and Central America, coffee is typically grown on hillsides where mechanization is more difficult, and hand-picking cherries has kept production costs relatively high. The African sector, meanwhile, is dominated by small-scale farmers often unable to raise the capital needed for new techniques.

Rinco bought his harvesting machine for around 600,000 reais (\$155,600) and is paying the agricultural supplies company with coffee, delivering 400 bags a year over four years. This kind of bartering is common in Brazilian farming.

One such machine in Brazil replaces dozens of people in the field. Even with financing and fuel bills, farmers and machine manufacturers say there is a reduction of 40% to 60% on harvesting costs.

“Beyond the lower costs, it made my life less complicated,” said Rinco, relieved at no longer having the grueling task of hiring suitable pickers every year for the harvest at his farm in the Sao Joao da Boa Vista area.

“People don't want to pick coffee anymore, they go to town to find something else to do.”

Brazil and Vietnam now produce more than half the world's coffee, up from less than a third 20 years ago, and the proportion is rising, U.S. Department of Agriculture estimates show.

Leading producer Brazil alone accounts for over a third of global supply. In a clear sign of increased efficiency, it reported a record crop of 62 million bags last year and is expected to produce another record in 2020, the next on-year in the country's biennial production cycle - despite the fact the coffee-planting area has been falling for the last six years.

Vietnam is also regularly setting production records while, by contrast, in Colombia the largest ever crop was harvested in the early 1990s and in Guatemala nearly two decades ago, USDA data shows.

In countries such as Guatemala and Honduras, growers who are increasingly abandoning farms are swelling the ranks of migrants trying to enter the United States.

BOOM IN BRAZIL

Average yields in Brazil have risen sharply over the last decade with figures from the U.N. Food and Agriculture Organization showing an increase of more than 40% to about 1.5 tonnes per hectare. Vietnam has also seen yields rise from already strong levels, climbing about 18% to around 2.5 tonnes.

Colombia did show some growth, about 12%, but remains well behind at about 1 ton per hectare while in Central America there was a decline of around 3% to a meager 0.6 tonnes.

Businessman Alexandre Gobbi and two partners decided to enter coffee farming in Brazil four years ago. They bought an area in Sao Sebastião

do Paraíso, in the main producing belt in Minas Gerais state, and sought out state-of-the-art tech.

Today, his farm has equipment including an underground dripping irrigation system with artificial intelligence, considered the world's most advanced.

"It does almost everything by itself. Reads humidity levels, tells me when to add water and fertilizer and by how much," he told Reuters, pointing to the digital panels in his control room.

With the system, plus other equipment including harvesters, he has doubled average yields to around 60 bags per hectare, and can make a profit even with current low prices.

Arabica coffee futures on ICE Futures U.S., the most widely used global benchmark for coffee prices, fell in May to 87.60 cents per lb, the weakest level since September 2005.

Prices have since recovered slightly but remain at a level where few producers outside Brazil and Vietnam can make money.

VARIETY IN VIETNAM

Arabica beans, which provide a smoother and sweeter taste, constitute nearly two-thirds of the world's coffee. More bitter and stronger robusta beans largely make up the rest of global supply, much of them hailing from Vietnam.

A warehouse owned by Vietnamese coffee exporter Simexco Dak Lak Ltd in the town of Di An, near Ho Chi Minh City, illustrates the scale of Vietnam's coffee operation.

Coffee is stacked in neat piles several meters high, awaiting export to Europe. The warehouse has enough capacity to store 20,000 tonnes during the harvest season.

"At the height of the harvest, having enough space to create an aisle to walk through the warehouse becomes a luxury," said Thai Anh Tuan, who manages one of three warehouses for Simexco, which exports over 80,000 tonnes of robusta a year.

"Every tiny bit of space will be taken up by these little beans," Tuan added. "We have to hire additional warehouses nearby for extra storage."

Tuan also credited the steady increase of Vietnamese coffee exports over the last four to five years to an increase in innovative farming techniques, including intercropping - growing different crops together - and the use of better technology in irrigation and cultivation.

Coffee is still the key cash crop for Dak Lak, Vietnam's largest coffee-producing province, although durians, jack fruit, mangoes and avocado trees have all been intercropped with coffee trees to maximize income in recent years, farmers told Reuters.

Ksor Tung, a coffee grower with a 10-hectare farm, said intercropping coffee with durian trees resulted in better protection from direct sunlight and pests.

"Farmers here have experimented with intercropping for nearly a decade," Tung told Reuters.

"Peppers used to be the most popular tree when it comes to intercropping but for the past three years, with the prices falling, almost all farmers have turned to fruit trees instead," said Tung, adding that farmers who intercrop can triple their income per hectare.

CRISIS IN COLOMBIA

Farmers in Colombia face a far different future.

Battered by low prices and high costs, some are contemplating switching to other crops or selling up, despite tens of millions of dollars in government aid.

Jose Eliecer Sierra, 53, has farmed coffee for three decades but low prices have forced him to look at alternatives - Hass avocados and cattle among them.

"Avocados are in high demand abroad and it's one of the options," he said, standing amid some of his 41,000 coffee trees on a mist-shrouded mountainside near Pueblorrico, in Antioquia province.

“Another very tempting option that people are thinking about is cattle - knocking down coffee trees and planting grass for cows,” said Sierra.

It is not the first time Colombian coffee growers have looked to other crops for a better living. Many in the south - sometimes under pressure from armed groups - abandoned it for the more lucrative coca, the raw ingredient in cocaine, though coffee has since rebounded.

For some growers, even switching crops may not save them.

Uriel Posada, who worked for more than 30 years as a house painter in the United States, dreamed of coming home to Colombia to grow coffee. Now his land is up for sale.

“I’m up to my neck in debt,” the 52-year-old said, gazing up the steep hill where his 30,000 coffee trees are planted.

“Brazil has a huge advantage over us - the land is flat and they have machinery,” Posada said. “Here I have to pay a human being to go tree by tree, branch by branch and pick the red berries.”

Avocados and cattle are good alternatives, Posada said, but require start-up funds and transition time that many local growers do not have.

“I’ll sell, pay what I owe and go. End my Colombian dream.”

Marcelo Teixeira reported from Sao Joao da Boa Vista in BRAZIL, Phuong Nguyen from Ho Chi Minh City in VIETNAM and Julia Symmes Cobb from Pueblorrico in COLOMBIA; Writing and additional reporting by Nigel Hunt in London; Editing by Veronica Brown and Pravin Char.

4. Foreign investors hold majority stake in Vietnam’s 5 leading fintech

Five fintech companies holding 90% of Vietnam's payment market share have foreign ownership ranging from 30% - 90%, according to Nghiem Thanh Son, deputy director of Payment Department under the State Bank of Vietnam (SBV).

There has been concern over the actual practices of these fintech companies, particularly the safety of information in relation to transaction and privacy of customers' information, Son said at a conference on Fintech on August 20.

Moreover, foreign companies holding large share amount at Vietnam's leading fintech companies could lead to the risk of market manipulation, Son stressed.

According to Son, the SBV is drafting up regulation to limit foreign ownership at fintech payment companies at the maximum of 30% of 49%, including both direct and indirect ownership.

The SBV has taken into account the possibility of foreign investors holding stake through a subsidiary or affiliate in Vietnam, therefore, the

maximum stake amount would include both direct and indirect stake ownership, Son continued.

However, from the market's perspective, experts at the conference said restriction in foreign ownership at fintech payment companies could hinder their development.

Phung Anh Tuan, secretary general of the Vietnam Association of Financial Investors (VAFI), said fintech companies are in need of capital for operation expansion. In this regard, the limitation of foreign investment could affect their ability in fundraising, and ultimately future development.

The government has permitted wholly foreign-owned banks to operate in Vietnam, as well as considering to relax foreign ownership limit at commercial banks, Tuan said, adding the government should not apply the existing limitation of foreign participation in the banking sector for fintech.

Vice President of Singapore Fintech Association Varun Mittal said for Vietnamese fintech to reach regional level, government agencies should create

conditions for them to expand and access new sources of capital.

According to Mittal, these fintech companies are very ambitious but the most important issue would be to secure sufficient funds for operation and rapid development, while ensuring full compliance to the current legislation.

At the Vietnam Business Forum 2019 in June, representative of the American Chamber of

Commerce (AmCham) proposed not to apply foreign ownership limit in fintech payment companies.

AmCham's representative added the growth of financial services and fintech in Vietnam would depend on the implementation of appropriate legal framework and investment policies. However, a limitation in foreign ownership is seen as considerable obstruction to fundraising capability of Vietnamese fintech companies.

5. Central city, US partners agree to boost investment

The city's people's committee said in a statement that the MoUs were inked at the Da Nang Business Roundtable on Monday.

It said the event aimed to introduce the city's investment environment and priority policies in calling for investment from the US.

Chairman of the city's people's committee, Huynh Duc Tho said Da Nang would offer the most favourable condition for investors from Silicon Valley and the US investing in health care, hi-tech industries, Artificial Intelligence (AI), education, real estate and automation at Da Nang Hi-tech Park and IT Park.

Ai20X Silicon Valley, which is a premier business network focused on accelerating innovation to the global market and promoting global innovation start-ups in Silicon Valley and launching products in the US, and the managing board of Da Nang Hi-tech Park agreed to co-operate in the fields of business incubation, technology transfer, expert training and high quality human resources and investment activities.

Ai20X Silicon Valley and Da Nang's IT centralised joint-stock company will boost co-operation in offering construction services and developing the Da Nang IT Park as an expanded Silicon Valley in Viet Nam.

Da Nang's IT centralised JSC company and Meritronics technology JSC company agreed to establish the Trung Nam Meritronics Technology joint-stock in providing electronic manufacturing services at Da Nang IT Park in the future.

The central city said it will support investment procedures for construction of a robot manufacturing project by Alton Industry from the US in the city's Hi-tech Park.

According to the city's Investment Promotion Agency, the US was the third largest investor in Da Nang with 63 foreign direct investment (FDI) projects worth US\$595 million.

In May, Universal Alloy Corporation – a leading global manufacturer of aircraft components for aerospace companies – from the US started construction of its factory for aircraft components worth \$170 million, at the city's Hi-Tech Park.

The plant will provide components for Boeing, Airbus, Embraer, Bombardier and their associated supply chains.

According to the Da Nang Investment and Planning Department, the city has attracted a total of 679 foreign direct investment projects worth \$2.9 billion and 322 domestic projects worth \$4.2 billion.

The Hi-tech Park alone has 15 investment projects worth \$390 million.

The 1,100-hectare high-tech park is designed as a hub for green and hi-tech investors from Japan, Thailand, the Republic of Korea, Singapore and the US.

The city has granted investment licences to eight projects worth \$490 million and 11 other feasibility studies projects with an estimate of \$3.5 billion in an investment promotion in March.

6. Binh Duong vows to facilitate Taiwanese investors

Vice chairman of the province's People's Committee Mai Hung Dung delivered this statement during a meeting with Taiwanese enterprises which are investing in the province on Wednesday.

Binh Duong will concentrate on perfecting infrastructure facilities, expanding industrial zones to provide investors with a sufficient land source besides improving the quality of the province's personnel, Dung said.

At the same time, local authorities also want to learn about issues faced by enterprises to help them perform better.

During the meeting, representatives from Taiwanese firms outlined difficulties in recruiting workers as one of their biggest issues when investing in the province. That has not only affected these companies' ability to fulfil orders but also caused difficulties for their expansion plans, they said.

The online newspaper baohinhphu.vn cited Wu Chun-ying, president of the Binh Duong-based Taiwan Business Association as saying that many member enterprises, especially ones operating in industrial zones, are having trouble seeking labourers.

These firms have encountered difficulties in both recruitment of unskilled workers and skilled

workers, he said, adding that the labour shortages had pushed Taiwanese firms to increase wages for workers to easily recruit and retain them.

Answering these concerns, Deputy Director of the provincial Department of Labour, Invalids and Social Affairs Pham Van Tuyen said his department will help the firms find labourers in neighbouring localities, adding that Binh Duong's centre for employment services has teamed up with similar ones in other localities to recruit workers for the firms.

In the long term, the department plans to focus more on improving skills for the workers to increase labour productivity, Tuyen noted.

Binh Duong now ranks third in the country in foreign direct investment attraction with more than 3,650 valid projects, worth a total of US\$33.1 billion.

Among 64 countries and territories investing in the southern industrial hub, Taiwan is top with 843 projects, worth \$5.53 billion. Most Taiwanese-financed projects operate in the fields of textile and garment, footwear, automobile support, healthcare, pharmaceuticals and food processing.

In the first seven months, Taiwanese enterprises have registered to inject \$237 million in the province.

CORPORATE NEWS

7. DRC: Board Resolution No.11 on bank loans

↑ 3.14%

Danang Rubber Joint Stock Company (DRC) announced Board Resolution No.11 dated August 20, 2019 as follows:

The Board of Directors approved to authorize the CEO to sign credit agreements with banks and the loan balance each time will not exceed VND900 billion. The interest expense will be depended on the market interest rate each time.

8. Stock market briefs August 22, 2019

↑ 1.79%

HCMC – Hang Xanh Motors Service Company (HAX) expects to raise its foreign ownership limit (FOL) to 100% in the coming time, said Viet Capital Securities Company. As of June 28, HAX had had two major shareholders, namely Chairman Do Tien Dung with a 23.86% stake and, Vu Thi Hanh, a member of the management board, with a stake of 15.57%. HAX has no major foreign shareholder and the current foreign room is 40%. In 2018, HAX planned to issue 10 million shares at a minimum price of VND10,000 each to raise its registered capital to VND450 billion. However, HAX failed to implement the share sale plan because of its poor performance.

HCMC – Truong Hoang Vu, a board member of Landmark Holding Company (LMH), has registered to buy 1.5 million LMH shares from August 26 to September 24. If the transactions are done, Vu will have his ownership rising from 0.73% to 7.16% and become the biggest

shareholder of the enterprise. The LMH share price is around VND16,500 on the Hochiminh Stock Exchange.

HANOI – Vietnam Engine and Agricultural Machinery Corporation (VEA) may miss its listing plan due to the recent arrest of former directors, according to vietstock.vn. VEAM is trading more than 1.3 billion shares on the market for unlisted public companies, or UPCoM. The company planned to move its listing to the Hochiminh Stock Exchange this year. The plan was approved at the firm's annual shareholder meeting on June 30.

HANOI – Asia Commercial Bank (ACB) plans to offload 41.4 million treasury shares between 2019 and 2020, of which 6.2 million shares will be distributed under an employee stock ownership plan, as announced at the 2019 annual general meeting, in September. The remaining shares would be offered to the public in the second quarter of 2020.

Research Team: Tsugami Shoji Researcher jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn