



VIETNAM DAILY NEWS

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Market Analysis

1. Local stocks tumble

After the National Day holiday, the stock market is still facing the pressure from yuan devaluation and a wait for the U.S. Federal Reserve (Fed)'s decision on interest rate policy for the U.S. dollar at a meeting in September. Investors' sentiment was affected by these factors, resulting in selling pressure and sending the main index down.

As reported by Bao Viet Securities JSC in its daily report on August 30, the VN-Index would fluctuate in a narrow range and face selling pressure in the coming sessions. The southern bourse would be affected by the third quarter business results, apart from the restructuring of the portfolio of exchange traded funds and Fed's upcoming meeting, the securities firm said.

Given 220 losing stocks, the VN-Index on the southern market ended the day at 979.36, dropping by 4.7 points against the session earlier. Trade volume totaled 186.4 million shares worth VND4.5 trillion, soaring 30% in volume and 39% in value against the session on August 30.

In block deals, some 60.3 million shares changed hands at a total value of VND2 trillion. Construction firm ROS alone contributed 19.4 million shares worth VND580 billion traded.

Most of the stocks among the top 30 large caps on the southern bourse closed the day down, with steelmaker HPG, consumer goods firm MSN and lender CTG dipping 2.5%, 1.9% and 1.2%, respectively.

Although ROS led the market by liquidity with more than 12.2 million shares traded, it ended the session down 3.2%.

The HNX-Index of the Hanoi Stock Exchange also came under selling pressure today, September 3, losing 0.91 point, or 0.89%, to 101.4 points. There were over 31.28 million shares worth VND414 billion traded, picking up 43% in volume and 56% in value against the session earlier.

The northern bourse saw many large-cap stocks, including lender ACB, stone manufacturer VCS and construction firm VCG, tumble.

Foreign investors net sold VND11.7 billion worth of 1.53 million shares on the southern bourse, while they net bought VND91.3 billion of shares, mainly PVI, on the northern exchange.

2. Shares decline after holiday due to investors' vigilance

The VN-Index on the Ho Chi Minh Stock Exchange lost 0.48 per cent to close at 979.36 points.

The index dropped total 0.84 per cent last week.

Some 186.5 million shares were traded on the southern bourse on Tuesday, worth nearly VND6.5 trillion (US\$278 million).

The large-cap VN30-Index dropped 0.40 per cent to end at 888.97 points with 20 of the 30 largest stocks by market capitalisation declining.

According to Sai Gon-Ha Noi Securities JSC (SHS), market sentiment turned cautious after the

holiday, while indexes struggled with low liquidity.

"Investors seem to be vigilant during this time, especially when the VN-Index is gradually approaching the psychological threshold of 1,000 points," SHS said in its daily report.

The market was strongly affected by recent global economic and political tensions, especially the escalating US-China trade war.

The US started to impose 15 per cent tariffs on \$112 billion of China's goods from September 1. This is the first phase of the tariff plan on \$300 billion worth of goods from China that President Donald Trump announced in early August. In

return, China also started collecting taxes on part of \$75 billion of US goods from September 1, notably US crude oil was targeted at a 5 per cent tax rate.

Insurance, real estate, securities, energy, banking, agriculture, rubber production, seafood processing, healthcare and pharmaceuticals, construction and logistics were the sectors that weighed down the stock market.

Pillar stocks were under selling pressure and mostly all ended down such as Vingroup (VIC) (-0.4 per cent), Masan Group (MSN) (-1.9 per cent), PetroVietnam Gas JSC (GAS) (-0.8 per cent), Vietnam National Petroleum Group (PLX) (-1.3 per cent), Vietinbank (CTG) (-1.2 per cent), Vinhomes (VHM) (-0.2 per cent), Vincom Retail (VRE) (-0.6 per cent), Techcombank (TCB) (-0.5 per cent), Sabeco (SAB) (-0.2 per cent), Bank for Investment and Development (BID) (-0.1 per cent).

Industrial zone real estate also faced profit taking and dropped sharply, including Sonadezi Corporation (SNZ) (-9.7 per cent), Nam Tan Uyen Joint Stock Corporation (NTC) (-8.8 per cent), Industrial Urban Development JSC No 2 (D2D) (-7

per cent) and The Phu My 3 Specialised Industrial Park (SIP) (-5.8 per cent).

In the opposite direction, some pillars increased, helping narrowing the market decline, such as Vinamilk (VNM) (+0.8 per cent), FPT Corporation (FPT) (+1.1 per cent), Vietcombank (VCB) (+0.1 per cent) and Mobile World Group (MWG) (+0.6 per cent).

The HN-Index on the Ha Noi Stock Exchange declined 0.89 per cent to 101.40 points on Tuesday.

More than 31.2 million shares were traded on the northern bourse, worth VND563 billion.

According to Bao Viet Securities Company, the VN-Index is forecast to adjust to support zone 970-975 points in the next several sessions.

“The market is expected to recover in this zone. However, the market will continuously experience a wide divergence among stock groups. It will be affected by expectations of third quarter business results, the restructuring of the portfolio of ETFs and the results of the Fed meeting in September,” BVSC said.

Macro & Policies

3. HCM City: Key industries' growth slows down

According to the municipal Department of Industry and Trade, four key industries increased by 6.4 percent from the same period last year, 0.8 percentage point lower than the IIP.

Among them, food and beverage processing expanded 0.4 percent, electronics 24.2 percent and mechanics 9.4 percent, while chemical-pharmaceutical production dropped 0.7 percent.

The department attributed the fast pace in electronics manufacturing to businesses' use of modern technologies and stable consumption of products.

It said industrial production during the period was maintained at a moderate level. However, the

city should review the growth momentum of key industries and step up breakthrough solutions to create better conditions for businesses to expand production.

Statistics also showed total retail sales of goods and consumer services revenue in HCM City surpassed 747.32 trillion VND (32.15 billion USD), up 11.8 percent year on year.

Meanwhile, local firms exported nearly 27.18 billion USD in the eight months, up 8.9 percent. The figure that excluded crude oil shipments stood at 25.62 billion USD, up 10 percent from a year earlier.

4. Vietnam promotes tourism in Indonesia

Nearly 100 Indonesian businesses participated in the event.

Ambassador Pham Vinh Quang said Vietnam is one of the most dynamic countries in Asia-Pacific with economic growth of 7 percent in 2018.

With political stability and dynamic economy, Vietnam has become a spotlight in Asia and the globe, he said.

With a population of over 90 million, the country is also an ideal destination for major groups and businesses in the world to seek investment opportunities, he added.

In 2018, Vietnam's tourism raked in 26.75 billion USD in revenues and attracted over 15.6 million foreign visitors, which is expected to increase to 20 million by 2020.

Representatives from the national flag carrier Vietnam Airlines introduced promotion programmes for tourists and its new air route from Ho Chi Minh City to Bali.

Vietnamese travel companies also provided information on popular destinations in Vietnam such as Da Nang, Ha Long Bay, Nha Trang, Phong Nha-Ke Bang National Park, and Dong Van plateau.

5. Forestry exports up over 18 percent

Wood and timber products grossed 6.66 billion USD in export turnover, according to the Vietnam Administration of Forestry under the Ministry of Agriculture and Rural Development.

Main markets are still the US, Japan, the European Union, China, and the Republic of Korea, making

up nearly 80 percent of the total forestry export turnover.

In January-August, Vietnam imported over 1.6 billion USD worth of wood and wood products, a yearly rise of 14 percent, mainly from China, the US, Cambodia, Thailand, Malaysia, Chile, Germany, Brazil, New Zealand, and France.

Vietnam has so far planted more than 135,800 hectares of forest, fulfilling 64 percent of the

annual target.

6. Vietnamese enterprises not winning trade war as predicted

To the same design of reflective clothing item required by an American buyer, Vietnamese partners can only sell at FOB (free on board) US\$55/item, while Chinese companies are selling at US\$27/item. With tariffs added, Chinese companies can still provide at lower costs than Vietnamese companies, according to a report by FiinGroup.

The reason is that Vietnamese companies have to import most of the raw materials (fabrics, reflective piece) from China, leading to the fact that many US customers continue to buy from their partners in China, or from FDI companies manufacturing in Vietnam.

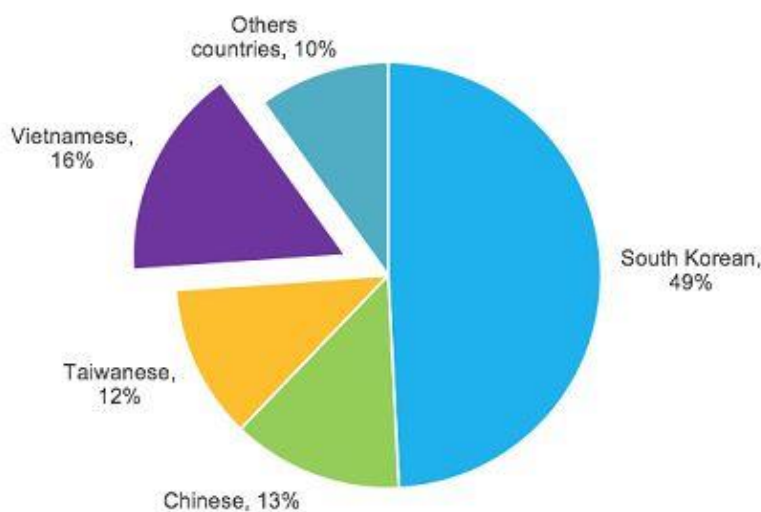
In US – China trade, top four export items to the US include electrical machinery and equipment; machinery; furniture; and clothing represents 61% of total export value while it is 65% for Vietnam with the same items.

Given this similarity and the geopolitical landscape, the trade ward between US and China has resulted in a shift of import orders from China to Vietnam by the US importers. This happened at all four main import items especially electrical machinery & equipment where import from Vietnam witnessed 87% growth over the first five months of 2019 compared to the same period last year while it is a decline of 13% with China, revealed FiinGroup's data.

However, the main exporters are foreign-invested enterprises (FDI). Local companies only accounted for a small proportion of Vietnam's export to the US.

Export of Clothing

Figure 3: Clothing* - Who are the exporters from Vietnam?
(June 2018 – June 2019)



Source: General Customs, FiinGroup

Note: * main items only. It includes jerseys, pullovers, cardigans, waistcoats and similar apparel articles, which accounted for approx. 33% of total clothing export of Vietnam to the U.S.

This is the main export item from Vietnam to the US. However, Vietnamese companies only accounted for 16% of the export value for the last 12 months. Although export value grew exponentially, it is mostly attributed to FDI companies based in Vietnam.

During this context, South Korean and Japanese companies and especially Chinese (mainland and Taiwan) have established their facilities in Vietnam to take advantage of the country's open policy and FTAs.

South Korean clothing manufacturers is the biggest winner of US – China trade war, with 143 South Korean companies accounting for approx. 50% of the export value. Most of them are subsidiaries of giant South Korean OEM manufacturing corporations such as Hansoll, Sae-A, Nobland and Hansae.

These corporations entered Vietnam in early 2000s and have developed well-established supply chains. Some companies such as Hansae and Nobland even opened supporting factories

Figure 4: Phones and parts: Export Breakdown to US (June 2018 – June 2019)



Source: General Customs, FPG Group

Note: * – export of phones and parts account for 64% of Vietnam's export value of electrical machinery, equipment to the US.

Samsung and Foxconn entered Vietnam a long time before President Trump initiated the trade war with China. To avoid high tariffs, these two corporations have cut production in China and raised their production output in Vietnam.

Vietnamese companies only contribute indirectly to export growth: Without enough raw materials, skills and supply chain, most local companies only manufacture mobile phone parts and accessories to supply for Samsung and Foxconn. Benefits to Vietnam is also very limited at increase in tax revenue, employment rate, among others.

such as fabric dyeing factory, packaging factory in Vietnam to support its main production.

Local companies' presence in export remained modest at 16% throughout June 2018 – June 2019. Only prestigious local manufacturers such as Ha Phong, Gia Phu, Song Hong, L&T, among others, have sufficient capacity and experience to approach foreign buyers. The majority of Vietnamese companies are still small-sized and do not meet foreign buyers' requirements regarding quality, quantity and cost.

Export of phones and parts

South Korean and Taiwanese companies contributed 98% of Vietnam's total export of phones and parts, whose majority is composed of export from Samsung and Foxconn. Exponential growth (87%) of export value of electrical machinery, equipment in first five months of 2019 was also thanks to these two corporations.

Key players in Furniture and Machinery sectors

For Furniture and Machinery, again, top players by revenue are foreign invested. However, each has a Vietnamese company on the top five.

Most companies that registered the highest growth value are from Greater China, United States and Japan. The production of these companies mostly serve foreign market; thus, their performance is directly influenced by the US – China trade war.

Meanwhile, very few Vietnamese companies witnessed exceptional revenue growth in 2018. Like clothing and electrical equipment and machinery industries, furniture and machinery

also suffer from the lack of raw materials. Having to import goods, machinery parts from overseas, production cost of local companies might be much higher than that of FDI companies.

7. Transport ministry wants to reacquire national airports operator

Making ACV a wholly state-owned entity would ensure the highest standards of national security for aviation, the ministry said in a proposal it sent to the government.

The government owns a 95.4 percent stake in the airports operator, with foreign investors holding a 3.61 percent stake and other domestic shareholders, 0.99 percent. ACV, which runs 21 airports in the country, has been in charge of building runways, parking bays and terminals for the biggest airports in Vietnam.

In the proposal, the ministry also wants all public aviation infrastructure transferred to ACV until 2025, after which it would review and return them to the government.

This would allow ACV to invest in upgrades or maintenance of aviation infrastructure, which it normally could not do because these assets are being managed by the state.

After it was equitized in 2016 the corporation's airport infrastructure assets were transferred to the government, which now allocates funds for their maintenance.

But the ministry said it has been unable to allocate medium-term funding for the 2016-20 period, making it very difficult for ACV to upgrade and maintain the assets.

It complained that runways at major airports like Tan Son Nhat in Ho Chi Minh City and Noi Bai in Hanoi have exceeded their design capacity and suffered damages that could potentially threaten flight safety, and said they need to be upgraded.

Vietnamese airports served 103.5 million passengers last year, up 11 percent from 2017, according to ACV.

CORPORATE NEWS

8. CLG: BOD approves to collect shareholders' opinion

↓ -0.50%

shareholders' opinion in writing to change its business lines.

The Board resolution dated September 03, 2019, Cotec Investment and Land-house Development Joint Stock Company approved to collect

9. Dong Phu Rubber fulfils half of profit target

↓ -1.71%

During the period, Dong Phu Rubber, an affiliate of the Viet Nam Rubber Group, earned VND343 billion in revenue, 47 per cent of the year's target.

4.5 hectares and investment of VND60 billion, and the establishment of a high-tech agriculture project spanning some 496 hectares.

DPR recorded an eight-month yield of 5,000 tonnes, 41 per cent of the yearly plan. Consumption output reached 5,800 tonnes, 37.5 per cent of the goal.

At the meeting, shareholders agreed on a plan to pay dividend in cash for the second phase of 2018 at a rate of 10 per cent, meaning a shareholder owing one share will receive VND1,000, with an expected payout in October.

At the 2019 Annual General Meeting of Shareholders held in April, the firm's Board of Directors approved the plan for revenue and profit in 2019, respectively at VND29 billion and VND230 billion.

DPR's share price has dropped significantly from its all-time peak of VND47,200 per share recorded in early August. At the end of the August 30 session, DPR was traded at VND40,900 per share, a decrease of 15 per cent within three weeks

The board also signed off on the establishment of a wood processing plant with estimated area of

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

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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