



VIETNAM DAILY NEWS

October 07th, 2019



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Market Analysis

1. Mid-cap firms to drive market up on low valuation, earnings prospects

The benchmark VN-Index has gained strongly by 3.12 per cent in the last month to approach 1,000 points.

Boosting the benchmark index are large-cap and mid-cap stocks. The large-cap VN30-Index has risen 5 per cent while the mid-cap VNMID-Index has gained 3.8 per cent during that time, showing investors are keen on both sets of shares.

Large-cap firms have market capitalisation of more than VND10 trillion while mid-cap firms are valued at between VND1-10 trillion.

Dinh Quang Hinh, director of the market strategy division at VNDirect Securities Corporation's analysis department, told Viet Nam News the inflow of passive capital from exchange-traded funds (ETFs) had boosted the valuation of large-cap stocks on the Ho Chi Minh Stock Exchange to "quite high levels".

The average price-to-earnings (P/E) ratio of HOSE-listed large-cap stocks was estimated at 21.4, excluding FLC Faros Construction Corp (ROS), Vingroup (VIC) and Bao Viet Holdings (BVH) – three stocks with P/E ratios above 50.

"The high valuation of large-cap stocks has trimmed their attractiveness. It is possible that some traders have switched to mid-cap stocks for short-term profits, boosting their prices," Hinh said, adding mid-cap stocks had been undervalued.

The average P/E ratio of mid-cap stocks was 11.5 – if stocks with P/E ratios being over 50 are excluded – and it was still 30 per cent lower than the large-cap average P/E ratio. Some mid-cap stocks even had P/E ratios below 8.

"However, not all mid-cap stocks have been boosted by this change in investor tastes," Hinh added.

The key factors for valuing mid-cap stocks are the prospects of a firms' future business operations and healthy financial reports, he said.

The Vietnamese stock market has entered the third-quarter earnings season, and some mid-cap firms have already reported their quarterly earnings.

Real estate firm Dat Xanh Group (DXG) has estimated its nine-month revenue was up 31 per cent to VND4.52 trillion, with post-tax profit up 20 per cent at VND901 billion.

Constructor Fecon (FCN) is forecast to raise its three-quarter revenue by 8 per cent yearly report to VND1.84 trillion with an increase in post-tax profit of 22 per cent year on year to VND151 billion.

The Power Construction JSC (PC1) last week reported nearly VND4.4 trillion worth of combined revenue in the nine months and VND300.6 billion in post-tax profit.

According to analysts, Viet Nam was likely to maintain a comparatively high GDP growth rate compared to other economies, mainly benefiting from the re-allocation of the global supply chain as investors and businesses try to hedge their risks due to the US-China trade war.

Viet Nam's GDP growth rate in the third quarter was 7.31 per cent, the General Statistics Office announced last week. The Vietnamese economy is expected to achieve 6.9 per cent GDP growth this year.

2. Different scenarios for VN-Index in Q4

The benchmark VN-Index on the Ho Chi Minh Exchange slid 0.49 per cent to close at 987.59 points.

The index lost 1.03 last week.

On the Ha Noi Stock Exchange, the HNX-Index dropped 0.05 per cent to end Friday at 105.16 points, totalling a weekly rise of 0.37 per cent.

An average of 217.3 million shares were traded on each session last week, worth VND4.8 trillion (US\$204 million).

According to BIDV Securities Company (BSC), based on the evaluation of domestic and foreign impact factors, the VN-Index can range from 940 to 1,050 points, of which the key price area is around 980 points.

“We forecast that the VN-Index will rebound up to 1,015 - 1,025 points in October. If this short-term peak is not reached, the VN-Index is likely to return to accumulate around 980 points in November and recover gradually in December,” BSC said.

In the fourth quarter, BSC proposed two scenarios for VN-Index.

“In a positive case, VN-Index closed above 1,000 points at the end of the year (an increase compared to 980 points in the six-month report). The trend is still moving around large-cap stocks, stocks that had full foreign ownership in the new index are expected to attract new foreign capital inflows.”

In the second scenarios, “VN-Index may drop below 960 points when encountering unfavourable news from the world and international capital flows are not strong enough to spread to markets.”

In September, foreign investors were net sellers on the HSX with VND378.9 billion, and they net sold VND28.4 billion on the HNX.

In Q3, foreign investors net bought VND162.5 billion on the HSX, and net sold VND413.3 billion on the HNX.

According to Hoang Thach Lan, head of individual investor division at Viet Dragon Securities JSC (VDSC), the world was still in a state of instability.

“When there's still no clear outcome to the ongoing trade war between the US and China, the US and EU are on the verge of a new tariff war, which will strongly affect the investment decisions of ETFs,” Lan said.

The stocks that contributed the most to the increase of VN-Index in the first nine months of this year were Vietcombank (VCB), Vingroup (VIC), Vinhomes (VHM) and PetroVietnam Gas JSC (GAS).

Vietcombank contributed 31.81 points (3.56 per cent) to the VN-Index. In nine months, VCB's share increased from VND53,500 per share to VND82,100 per share, equivalent to 53.5 per cent.

VCB's rally was attributed to positive business results. In the first six months of 2019, the bank's profit after tax reached VND9 trillion, an increase of 41 per cent over the same period last year, continuing to maintain the leading position in the banking system's profits.

Vingroup (VIC) contributed to the VN-Index 23.98 points (2.69 per cent), while VHM added 17 points (1.92 per cent). After nine months, VIC shares increased by 25.7 per cent, VHM rose by 23.1 per cent.

Vingroup is still the largest enterprise in the stock market by capitalisation with VND394.8 trillion. Vingroup operates in various fields of real estate, hospitality, retail, education, healthcare, car and smartphone manufacturing, artificial intelligence research.

Vinhomes, a subsidiary of Vingroup, achieved VND26 trillion in revenue in the first six months this year, up 72 per cent year-on-year. Profit after tax reached VND11 trillion, up 36.6 per cent year-on-year.

In the opposite direction, Bao Viet Holdings (BVH) put the biggest pressure on VN-Index in the past nine months.

BVH took away 3.02 points (0.34 per cent) of VN-Index by reducing by nearly 6 per cent in nine months, from VND89,000 per share to VND74,800 per share.

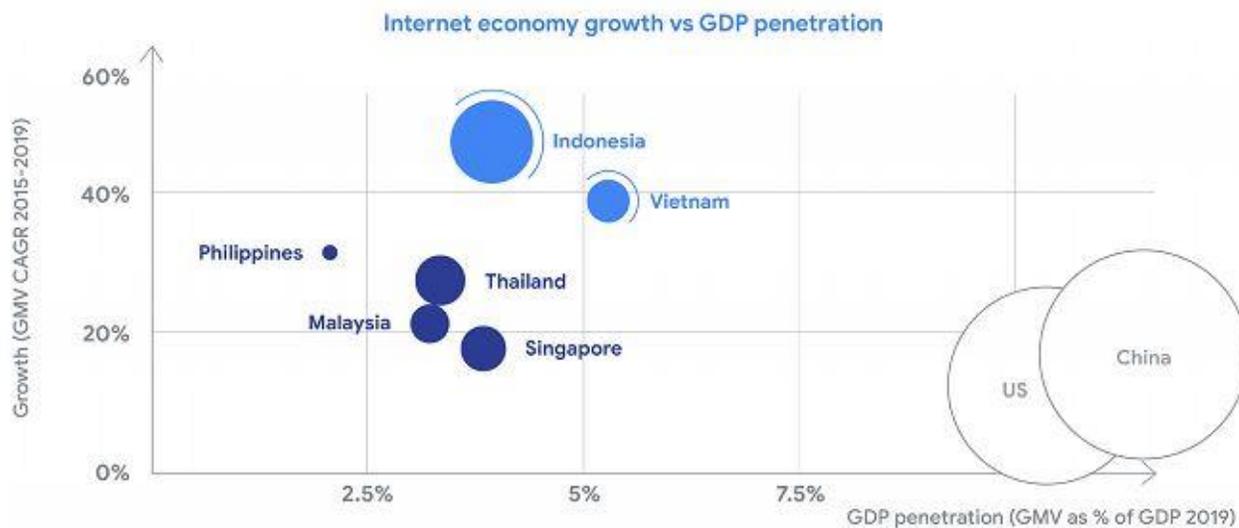
After-tax profit of BVH reached only VND670.8 billion in after-tax profit, down 20 per cent over the same period last year.

Macro & Policies

3. Vietnam emerged as most digital of all ASEAN economies: Google & Temasek

With the gross merchandise value (GMV) of internet economy set to account for over 5% of the country's GDP in 2019, Vietnam is emerging

as the most digital of all economies in ASEAN, according to a research report by Google, Temasek and Bain.



Source: e-Conomy SEA report 2019.

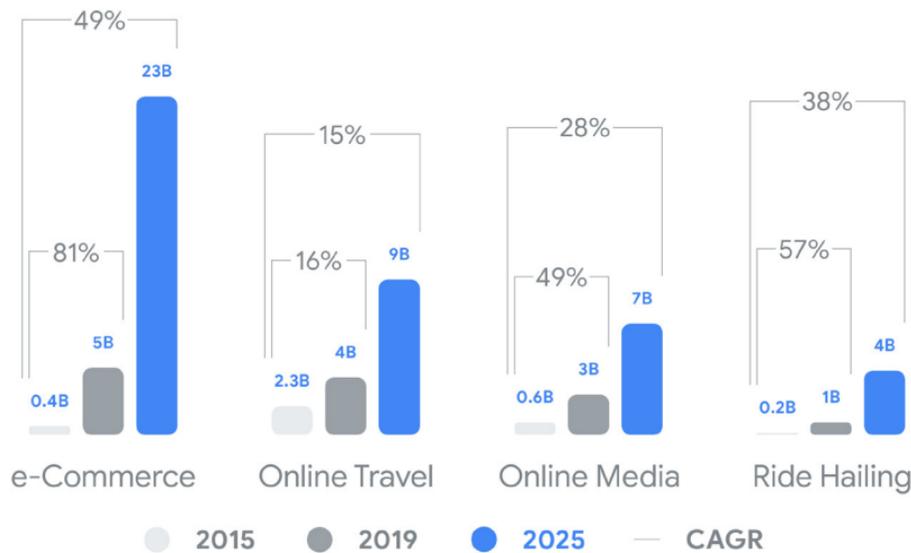
According to the report, Vietnam's Internet economy is booming, as it reaches for US\$12 billion in 2019 on a 38% annualized growth rate since 2015, and projected to increase to US\$43 billion by 2025.

Overall, the Southeast Asian Internet economy has leapt nearly 40% from last year to exceed \$100 billion in GMV in 2019 across the online travel, e-Commerce, online media and ride hailing sectors. The region is on track to hit US\$300 billion in 2025, US\$60 billion more than previously estimated.

With all sectors taken into account, the GMV of the Internet economy amounted to 3.7% of Southeast Asia's gross domestic product (GDP) in 2019, up from 1.3% in 2015. It is projected to exceed 8% by 2025. Southeast Asia is closing the gap with developed markets like the US, where the Internet economy had made up 6.5% of the GDP in 2016.

While the region has grown at an average rate of 33% a year since 2015, the two pacesetters in the region are Indonesia and Vietnam, which lead the pack with growth rates in excess of 40% a year.

Vietnam Internet economy (GMV, \$B)



Source: e-Conomy SEA report 2019.

“e-Commerce is a key driver behind Vietnam’s impressive numbers, where homegrown marketplaces like Sendo and Tiki compete with regional players like Lazada and Shopee,” stated the report.

These dynamics are unlocking opportunities for entrepreneurial Vietnamese small and medium-

sized businesses, which have jumped onboard the Internet economy to do business. Investor confidence in Vietnam, the third most-funded economy in the region after Indonesia and Singapore, is on the rise. Over the last four years, Vietnam’s Internet economy has attracted almost US\$1 billion in funding, with 2019 in line to be a record year.

Funding in Vietnam Internet economy (\$B)



Source: e-Conomy SEA report 2019.

Economic growth in ASEAN has averaged 5% a year in the last five years and has exceeded the global growth average by approximately 2 percentage points over the past decade. This is indicative of a stable and rapidly developing

region that is on its way to becoming a major economic powerhouse. By 2030, Southeast Asia is expected to become the world's fourth largest economic bloc.

4. Two international container terminals to be built in Hai Phong

The investment has been approved by Prime Minister Nguyen Xuan Phuc.

Terminal 3 and 4 will have a total length of 750m and be able to receive vessels with tonnage of 100,000DWT. It is being invested by Hai Phong Port Joint Stock Company, a member of State-owned shipping firm Viet Nam National Shipping Lines (Vinalines).

The project will start in 2020 and be completed by 2025. Terminal 3 will be operational by 2022.

PM Phuc has assigned the Ministry of Planning and Investment to update and complete the project's assessment report and draft a prime ministerial decision on investment in the two container terminals to be submitted to him for an official decision.

He also assigned the Ministry of Transport to collaborate with the Hai Phong People's Committee and relevant agencies to adjust development planning at local ports, ensuring connectivity for vehicles in the region and working with general infrastructure development planning.

5. Millennials prefer freedom from office, take to freelancing

Dao Ba Ban, a freelance architect, said in his field finding a full-time job is not difficult, but finding the right environment for career development is not easy. His former employer had so many problems that he decided to quit and become a freelancer a few years ago, he explained.

"Freelancing is great for capable people. You can control your time, learn how to work on your own as well as with others, and bring home every dong you make."

For Trung Doan, who has been freelancing off and on as an education consultant for the last three years, it offers new challenges and opportunities unavailable in the traditional market, and its biggest advantage is flexible timing.

Yet, like everything else, working on one's own has its downsides. Ban said inexperienced freelancers could be challenged by lack of discipline, mentors and guidance.

But he earns more money by working independently for a range of clients, whom he often finds through his friendship networks. "My

work is stable and has potential for growth, so I'll continue to freelance."

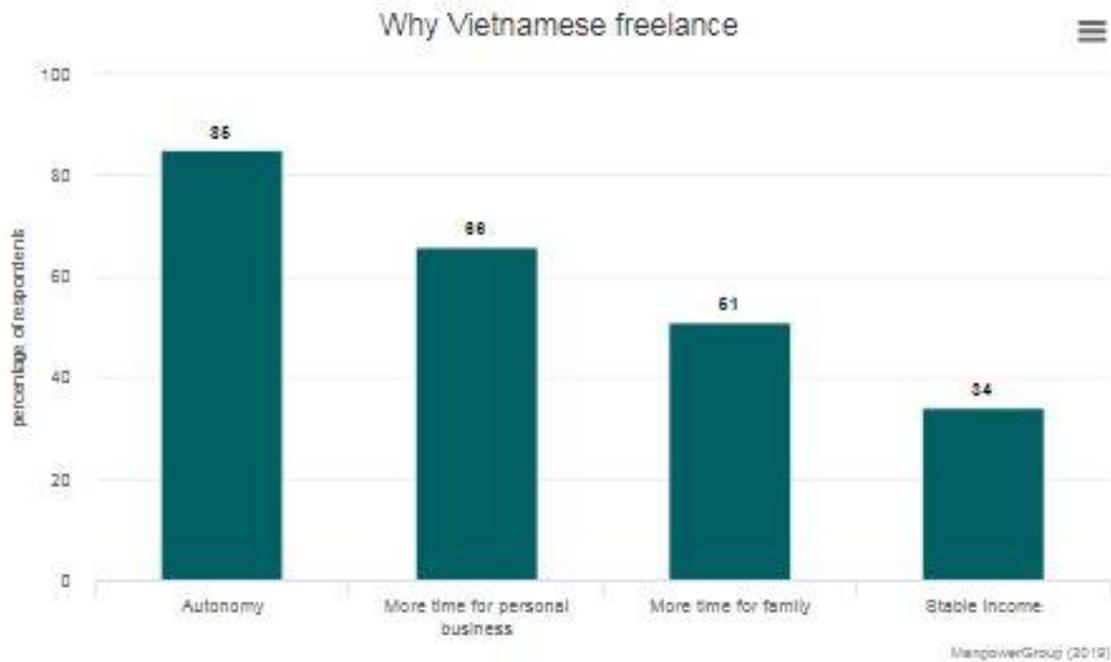
Yet, whether or not the market offers freelance work, many Vietnamese do not want to work full-time.

According to a survey titled "How Vietnamese want to work" done in July by American human resources consulting company ManpowerGroup, 87 percent of jobseekers aged 18-65 in almost all fields prefer something other than a permanent full-time job such as gig work (like Grab drivers), project work, and part-time work.

This is almost double the global figure. In its "2018 Global Candidate Preferences Survey", Manpower also asked 18,000 job seekers in 24 markets worldwide how they want to work, and 45 percent said they prefer something other than permanent full-time work.

Unlike their global counterparts whose preference for alternative work is most influenced by entrepreneurial pursuits, the key reason for Vietnamese job seekers' interest is autonomy.

Other factors include time for other business plans and time for family.



For alternative work, Vietnamese prefer searching for it from peers, as Ban's case illustrates.

Explaining this "inevitable" trend in Vietnam and elsewhere, Simon Matthews, Country Manager of ManpowerGroup in Vietnam, Thailand and the Middle East, told VnExpress International that Vietnam is an emerging market with a young and dynamic workforce which values flexibility in work and life.

According to Manpower's 2018 Total Workforce Index, Vietnam has over 57 million employees with 70 percent coming from the Y generation (born between 1976 and 1995) and Z generation (born after 1995). And 57 percent of this workforce is engaged in contingent, non-full-time work.

But technological advances mean people can now work anywhere, anytime and can handle multiple jobs simultaneously to earn a living. This is true worldwide and even more so in emerging markets, Matthews said.

And as he shows, freelancing is a solid option these days.

Trung, who now works full-time as country director for U.S. high school consulting services website Eduhub.com and consults for Canada's University of Regina, said he still needs to work full-time to get more management experience, but might return to independent consultancy later on.

In Trung's field, many senior professionals work as independent consultants. With Vietnam being an important global source for international students, foreign institutions come looking for various types of consultancy.

Vietnamese jobseekers' demands and the large contingent workforce mean organizations should create diverse alternative work models to attract and keep talent amidst a severe talent shortage, Matthews said.

Recruiters should offer work projects based on performance for non-full-time employees, flexible workplaces for full-time staff, and satisfy the different needs of talent coming from different generations, Matthews suggested.

For instance, for millennials, good pay, balancing work and life and learning new skills are the three most important reasons for working.

In fact, people who prefer alternative work tend to look for opportunities to upgrade their skills, and so employers should provide training to both full-time and other types of personnel.

Digging deep, spreading wide

This idea of learning new skills and constantly exploring wide and deep one's chosen field makes sense to Bui Thuy An, a freelancer in fashion illustration and textile design.

Freelancing is more common in fashion illustration and textile design than in fashion design, she said, adding that most foreign fashion illustrators and surface pattern designers that she knows are freelancers.

It is through freelancing that this fashion design graduate from the Hanoi University of Industrial Fine Arts has found the opportunities to do what she loves and explore new things.

A close friend, who was working remotely in Vietnam for an European IT company, suggested that she should freelance and offered her some advice on remote and freelancing work.

An then linked her online portfolio, which she had created to apply for a master's program, to her LinkedIn account. "My very first client from America found me on LinkedIn."

At first she received orders in fashion design, but later more and more clients offered projects in her dream field of fashion illustration.

Now she has clients from all five continents and works mostly in fashion illustration plus what was once a new field for her: textile design.

Working independently continues to open up new horizons for An now, who said she realizes everyday there is still so much more to learn.

Instead of having no mentors as Ban cautions, An finds her old college teachers a constant source of guidance and inspiration.

"If I had known opportunities such as what I have now existed, I would certainly have started freelancing right during college or even earlier."

6. Demand for air purifiers surges

Electronics chain Dien May Xanh, which has 900 outlets in the country, says it sold 1,500 air purifiers last month, up 197 percent year-on-year.

"There is a rising demand for air purifiers as customers are concerned about their health. Some of our models are temporarily out of stock," a representative of the chain said.

Electronics chain Thien Hoa, with 17 outlets in HCMC, said that air purifier orders last month surged 140 percent over August.

Local stores have also reported high sales of air purifiers. Long, manager of an electronics store in HCMC's Binh Thanh District, estimated that September air purifier sales doubled from August. "We sell 50-70 machines a day, and more customers are coming to ask questions every day."

Another store in HCMC's District 3 said that they have only two machines left and customers have to wait for a few days for new stock.

In Hanoi, Electronic chain MediaMart, with 31 outlets in the city, reported sales of air purifiers in September surging by 245 percent from August.

Popular air purifiers in Vietnam are Japanese brands like Sharp, Daikin and Hitachi, South Korean ones like Coway, and Sweden's Electrolux.

Prices vary between VND1.8-30 million (\$78-1,297), with VND4-6 million (\$173-259) the most popular range as machines in this range cover up to 40 square meters, enough for most homes.

Customers are also willing to pay for machines in the higher price range of VND7-12 million (\$303-519), because these can reportedly filter out

PM2.5 particulate, defined as superfine particles with 3 percent the diameter of a human hair.

The surge in demand for air purifiers comes as worsening air quality, manifest in Hanoi and Ho Chi Minh City in recent days as a thick haze, has become a matter of great worry for residents. At 9

a.m. Tuesday, Hanoi's air quality index (AQI) was measured at 254, or "very unhealthy," while that of HCMC was 159, or "unhealthy."

Local stores in recent weeks have also recorded a surge in sales of masks, including that of high-end brands costing up to VND1.1 million (\$47) each.

7. Trading in Vietnam stays dull as market awaits new season supply

Farmers in the Central Highlands, Vietnam's largest coffee-growing area, sold coffee COFVN-DAK at 34,000 dong (\$1.47) per kg on Thursday, slightly lower than a week ago.

The 2019/20 season started on Oct. 1 but traders said the market would stay muted until at least early November when new beans arrive.

"There are almost no beans left from the 2018/19 season," said a trader based in the Central Highlands. "Fresh beans won't arrive in bulk until the second week of November."

Traders in Vietnam offered 5 percent black and broken grade 2 robusta COFVN-G25-SAI at \$180-\$200 premium per tonne to the November contract on Thursday, unchanged from a week ago.

"Trade, supply and demand are all dull at the moment," said an analyst, also based in the region.

Vietnam's coffee exports in the first nine months of this year fell 12 percent from a year earlier to 1.27 million tonnes, or 2.12 million 60-kg bags, according to government data.

Meanwhile, Indonesia's grade 4 defect 80 robusta beans COFID-G4-USD were offered at premiums of \$210-\$215 to the November contract, wider than \$200 last week, a trader in the Sumatran province of Lampung said.

Another trader in the province said trade had slowed down this week as the main harvest came to an end.

Indonesia's robusta coffee bean exports from Sumatra rose 75 percent in September from the same month last year, local trade office data showed on Tuesday.

8. VN seeks Canada opportunities

One of the key sectors they are chasing is the supporting industry, which was discussed during a workshop in Montreal on Wednesday.

Nguyen Hong Duong, Deputy Director of MoIT's Europe-America Market Department highlighted advantages from the Canadian market for Viet Nam in development of its supporting industry.

These included increasing attention from Canadian authorities for Viet Nam and CPTPP, a free trade agreement for 11 Asia-Pacific member countries including Viet Nam and Canada.

Duong said the automobile, textile and food processing industries will be sectors that Viet Nam expects to have strong cooperation with Canada in developing the supporting industries.

Corporate News

9. DIG: Suspension of operation of branch

↓ -2.32%

Development Investment Construction Joint Stock Corporation announces the suspension of

operation of DIC Star Apart' Hotel Landmark Vung Tau branch as from October 10, 2019 to September 30, 2020.

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