



VIETNAM DAILY NEWS

October 11th, 2019



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Market Analysis

1. Stocks reverse in the afternoon on trade talk worries

Viet Nam's benchmark VN-Index again failed to beat the 990 point mark with liquidity remaining almost unchanged as market sentiment was overclouded by uncertainty over US-China trade talks.

The VN-Index on the Ho Chi Minh Stock Exchange was down 0.05 per cent to close at 987.38 points. The southern market index slid 0.04 per cent on Wednesday.

The benchmark index gained 0.31 per cent during the day.

The VN-Index reversed as investors put trading on hold and waited for the outcome of the US-China trade talks in Washington, which will end on Friday (local time), MB Securities Co (MBS) said in its daily report.

The sectors that drove the market up in the morning such as technology, energy and pharmaceuticals either declined or slowed in the afternoon session.

Meanwhile, banks, securities firms, real estate companies and retailers lost steam and provided little support for the market.

“Bank stocks weakened but they were still the centre of attention as other groups of stocks were not strong enough to take the lead,” MBS said.

Large-cap stocks also turned to negative territory as the blue-chip VN30-Index lost 0.16 per cent at the end of the day.

Blue-chips that lost included Vingroup (VIC), steel firm Hoa Phat (HPG), Novaland (NLV), Bank for

Investment and Development of Vietnam (BID), and Vietinbank (CTG).

The market continued to struggle as demand was still limited, Sai Gon-Ha Noi Securities Co (SHS) said in its daily report.

Trading liquidity was modest and almost unchanged from Wednesday as investors were unwilling to purchase shares.

Nearly 183 million shares were traded on the southern bourse, worth VND4.23 trillion (US\$182 million).

The figures slightly increased from Wednesday's numbers of 182.5 million shares in volume and VND4.1 trillion in value.

It proved investors were still doubtful about the index's short-term uptrend and they wanted clearer signals, MBS added.

Under current conditions, the VN-Index was still moving sideways between 980 and 1,000 points, SHS forecast.

It was forecast to continue being weighed down by caution during the US-China trade talks, SHS said.

On the Ha Noi Stock Exchange, the HNX-Index rose 0.51 per cent to close at 105.16 points.

The northern market index has gained 1.38 per cent in three straight days.

More than 26.8 million shares were traded on the northern market, worth VND379.2 billion.

Macro & Policies

2. Hanoi remains Vietnam's biggest FDI magnet in nine months

Hanoi raked in about 6.23 billion USD in foreign direct investment (FDI) during the first nine months of this year, continuing to lead the country in FDI attraction, according to the municipal People's Committee.

Of the total, 503 million USD was poured into 631 new projects, while 509 million USD was added to 148 existing ones. Foreign investors injected over 5.22 billion USD into local firms via capital contributions and share purchases.

In September, the capital licenced 65 new FDI projects worth a total of 30 million USD, including 54 wholly foreign invested and 11 associate and joint venture ones. Some 20 million USD was added to 15 existing projects while about 75 million USD was contributed by foreign investors to local enterprises.

During the nine-month period, the city granted business registration certificates to over 20,560 new businesses with total registered capital exceeding 263.7 trillion VND (11.34 billion USD), up 9 percent and 28 percent year on year, respectively. The city is now home to over 273,700 companies.

According to the Hanoi People's Committee, the results were largely owing to the city's drastic efforts to improve the local business climate, accelerate public administrative reforms in business-related areas, bolster e-Government development and build a team of friendly and supportive civil servants.

The city's departments and agencies have enthusiastically explored difficulties facing investors to provide them with timely support.

To utilise the advantages provided by free trade agreements, Hanoi will prioritise investment in the fields of information technology services, biotechnology, tourism, education, health care and logistics.

The city is set to lure over 7.5 billion USD in FDI in 2019. To this end, the city will continue attracting capital through public-private partnerships and FDI, while streamlining public administrative procedures for investors, said Chairman of the Hanoi People's Committee Nguyen Duc Chung at a recent meeting.

Last year, Hanoi attracted 7.5 billion USD worth of FDI, the highest among the country's 63 provinces and cities, and more than twice as much as the 2017 figure.

Eighty percent of the city's projects were wholly owned by foreign investors. The remaining were associate and joint venture businesses.

FDI capital flowed the most into property development (29.5 percent of the total), processing and manufacturing industry (20.1 percent), and telecommunication and information (11.5 percent).

Japan was Hanoi's largest investor with total capital of 10.2 billion USD. The followers included Singapore (6 billion USD) and the Republic of Korea (5.5 billion USD).

3. EC to review yellow card against Vietnam's illegal fishing in early November

The European Commission's Directorate-General for Maritime Affairs and Fisheries is scheduled to send inspectors to Vietnam from November 4 to 12 to review the country's effort in addressing illegal, unreported and unregulated (IUU) fishing since it was penalized by EU with yellow card two years ago for failing to do it, according to the

Ministry of Agriculture and Rural Development (MARD).

The result of this inspection would have a significant impact on Vietnam's fisheries exports to EU, said the MARD in a document, requesting

exporters and local processors of seafood to the EU to make thorough preparations ahead of the trip.

Three scenarios that would come out from the inspection, including maintaining the country's yellow card status; issuing a red card banning all seafood imports from Vietnam; or rescinding the yellow card and resuming normal seafood trade with the country.

The MARD requested local firms to strictly follow law and regulations from Vietnam and the EU in tackling IUU. Additionally, the ministry expected companies to review their respective internal procedures for tracking the origin of their locally purchased and imported raw materials before shipping to the EU.

The Vietnam Association of Seafood Exporters and Producers (VASEP) revealed in two years since the EU's yellow card, Vietnam's seafood exports to EU have been significantly impacted with turnover decreasing of 6.5% year-on-year to nearly US\$390 million in 2018 and stagnating in the first eight months of 2019 with US\$251 million.

From being Vietnam's second largest seafood importer, EU has now ranked fifth due to the yellow card, with market share now decreasing from 18% to 13%.

The commission's card warning system is the EU's main tool in the fight against illegal fishing. It encourages countries to work with the commission to improve their fisheries governance and retain access to EU markets.

4. Tien Giang: Industrial production hits nearly 2.47 billion USD in 9 months

The production value recorded at the industrial parks (IPs) across the Mekong Delta province of Tien Giang reached nearly 57.38 trillion VND (2.47 billion USD) between January and September, up 13.77 percent year-on-year.

The foreign-invested and domestic sectors in the province earned more than 2.16 billion USD and 14.46 trillion VND in revenue, representing annual increases of 12.6 and 9.8 percent, respectively.

During the reviewed period, the provincial IPs management board licenced three new projects worth 347 million USD and 498 billion VND (21.4

million USD), and allowed existing projects to add a total of 78 billion VND (3.36 million USD) to their capital.

As such, the number of projects across local IPs totaled 102, including 74 foreign-invested ones. Together they occupied 541 hectares or more than 70 percent of land for lease at these parks and created over 89,000 jobs.

The province is home to four operating IPs, namely My Tho, Long Giang, Soai Rap and Tan Huong. Of this, My Tho and Tan Huong are now fully occupied./.

5. RoK banks focus more on Vietnam for impressive growth

The Republic of Korea's banks are focusing more on Vietnam as the market emerges as a major source of earnings for them amid their slowdown from China.

RoK banks are seeing their earnings in China decrease due to the prolonged trade between China and the US and the slowdown in economic growth rates. However, they are showing higher profits in the Southeast Asian region, including Vietnam, thanks to the RoK government's New

Southern Policy, the Business Korea newspaper reported.

Korean commercial banks are showing a steady growth in Vietnam. Their net profits in Vietnam came to 131.80 million USD in 2018, showing a 116 percent rise (70.80 million USD) from 61 million USD in 2017, according to the data from the Financial Supervisory Service (FSS).

Woori Bank Vietnam also saw its net profits surge 130 percent year-on-year to 8.17 billion won (6.83 million USD) in the first half.

Meanwhile, the net profits of Chinese subsidiaries of the RoK's top four commercial banks, including Shinhan, Kookmin, Woori and Hana Bank, came to 45.20 billion won (37.81 million USD) in the first half of this year, down 44 percent, or 36.30 billion won (30.36 million USD), from a year ago. The return on assets (ROA) also stood at 0.58 percent, falling short of 1 percent of Chinese banks as well as 0.75 percent of foreign banks in China.

According to Lee Chi-hoon, a researcher at the Korea Center for International Finance, the business environment in China has worsened as a whole amid the slowing Chinese economy. Furthermore, Korean conglomerates' investment

in China has shrunk after the Terminal High Altitude Area Defense (THAAD) issue. As a result, the Korean banks' strategy of focusing on firms operating in China has reached its limits.

Accordingly, Hana Bank, which suffered the biggest drop in net profits among commercial banks, has closed down some branches. After the net profits of the Chinese subsidiary of Hana Bank plunged 68 percent on year to 14.40 billion won (12.04 million USD) in the first half, the bank has reduced the number of its branches in China from 30 to 27.

Some analysts pointed out that Korean commercial banks need to come up with a new strategy for China as their earnings gap between China and Vietnam has been narrowed to 22 million USD./.

6. Vietnam to raise nation brand value by 20 percent annually

Vietnam is aiming to raise its nation brand value by 20 percent annually on average according to the evaluation by the world's prestigious rating agencies.

This is one of the targets set in the Vietnam National Brand (Vietnam Value) Programme for 2020 – 2030 recently approved by Prime Minister Nguyen Xuan Phuc.

The programme aims to build an image of Vietnam as a prestigious country with high-quality goods and services, thus promoting the country's attractiveness, competitiveness and foreign trade.

Between 2020 and 2030, it looks to have more than 1,000 products recognised as national brands, boost such products' export growth at a faster pace than the national average, and help increase the value of Vietnam's nation brand by 20 percent annually on average as assessed by global rating agencies.

The programme also targets a 10-percent rise in the number of businesses entering the list of firms with the most valuable brands by the world's major rating agencies.

Besides, it plans to step up communications so that 90 percent of the enterprises nationwide will be well aware of brands' importance to production, business and investment activities. All the products obtaining the national brand recognition are also set to be promoted in the domestic and key export markets.

The Ministry of Industry and Trade is assigned to manage this programme.

In the London-based Brand Finance's 2018 report, Vietnam's nation brand was valued at 235 billion USD, rising 16 percent year on year and ranking 43rd in the world and sixth in Southeast Asia./.

Corporate News

7. BFC, LIX, HVT code of Vinachem blocked due to lawsuit

In the first half of the year, Vinachem recorded a revenue of VND21.336 trillion (\$927.65 million), down 4 per cent on-year. Gross profit was VND3.31 trillion (\$143.91 million), down 5.7 per cent, with a gross profit margin of 15.5 per cent.

The financial revenue increased from VND195 billion (\$8.5 million) to VND333.7 billion (\$14.5 million), however, financial costs, as well as the cost of sales, also increased by 8 and 4.5 per cent to VND1.34 trillion (\$58.26 million) and VND1.25 trillion (\$54.35 million), respectively.

As of the end of June, the total capital of the group was VND55.74 trillion (\$2.42 billion). Particularly, loans were over VND26.6 trillion (\$1.16 billion). Undistributed after-tax profit was negative VND2.72 trillion (\$118.26 million).

The auditing firm emphasised that some of Vinachem's overdue loans consisted of VND668.9 billion (\$29.1 million) in principal and VND336 billion (\$14.61 million) of overdue interest and late payment fees.

The asset guaranteeing the loans is a nitrogenous fertiliser plant from coal dust with a capacity of 1,760 tonnes of urea a day, temporarily handed over to Ninh Binh Nitrogenous Fertilizer to manage and operate in 2012 but so far the transfer has not been fully completed yet, putting the debts and loan interests on the shoulders of Vinachem.

Vinachem said that in 2018, the Ninh Binh fertiliser project suffered a loss of VND913.5 billion (\$39.72 million), and accumulated losses exceeded the VND2.65 trillion (\$115.22 million) equity. Short-term debts amounted to VND7.54 trillion (\$327.83 million) while short-term assets were only VND942 billion (\$40.96 million). Since the project was put into operation, it has been facing cashflow difficulties to repay the loans

taken up for the initial investment and short-term loans for production and business.

Some of Vinachem projects, such as the project of mining and processing rock salt in Nongbok district (Khammouan province, Laos), have stopped implementation and are carrying out procedures to liquidate contracts with related parties.

Exacerbating Vinachem's troubles, the giant has been having several of its bank accounts and share holdings frozen by the court due to litigation over unpaid sums. Specifically, Chemical Industry Engineering JSC (CeCo) sued Vinachem at the Vietnam International Arbitration Centre (VIAC), requesting a payment of \$12.48 million. TTCL Vietnam Corporation Ltd. and TTCL Pcl. (TTCL) also asked Vinachem to pay \$18.3 million and \$110.4 million.

On January 1, Hanoi People's Court applied emergency measures to temporarily halt BIDV's advance payment of a \$8.4 million guarantee to Vinachem to wait for the decision of VIAC. Vinachem sent a complaint but was rejected.

On February 20, Ho Chi Minh City People's Court temporarily froze Vinachem's 12.17 million shares in Binh Dien Fertilizer JSC (code BFC) and its USD account at BIDV with \$13 million in balance.

On April 4, Ho Chi Minh City People's Court decided to issue further temporally emergency measures to freeze Vinachem's 24 million BFC shares, 10 million shares of Lix Detergent JSC (LIX), and 7.5 million shares of Viet Tri Chemical JSC (code HVT).

Vinachem currently holds 37.1 million BFC shares, 16.5 million LIX shares, and 7.5 million HVT shares

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