



VIETNAM DAILY NEWS

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Market Analysis

1. VN stocks slip on disappointing earnings, global news

The benchmark VN-Index on the Ho Chi Minh Stock Exchange was down 0.57 per cent to close at 983.56 points.

The VN-Index lost total 0.83 per cent last week.

More than 200.3 million shares were traded on the southern bourse, worth VND4.14 trillion (US\$178 million).

The large-cap VN30-Index dropped 0.56 per cent to end at 914.00 points.

In the VN30 basket, which tracks the 30 largest shares by market value and trading liquidity, only nine stocks increased while 19 declined.

Investors on Monday tried to lock in gains following large-cap quarterly earnings reports that ended disappointing.

PetroVietnam Gas Corporation (PV Gas) announced that post-tax profit dropped nearly 10 per cent year on year in the third quarter. The nine-month figure inched up 0.6 per cent on-year.

DHG Pharmaceutical JSC (DHG) showed a Q3 post-tax profit loss of 15 per cent yearly and nine-month numbers slid 4.5 per cent.

Thanh Cong Textile-Garment-Investment Trading JSC (TCM) recorded an annual drop of 40 per cent in its third-quarter post-tax profit. After nine months, its post-tax profit had fell nearly 28 per cent year-on-year.

In the brokerage sector, SSI Securities Corporation (SSI) and HCM City Securities Corporation (HSC) reported yearly decreases of 44 per cent and 14.3 per cent in Q3 profits.

Their results in the first three quarters dropped 44.4 per cent and 50 per cent year-on-year, respectively.

Data on vietstock.vn showed 228 companies had reported third-quarter earnings as of October 19 with 197 companies being profitable.

But total revenue of those firms fell 3 per cent year-on-year and post-tax profits gained only 19 per cent. The drop in total revenue suggested local firms' production was not as high as expected.

Shares in PV Gas, SSI, HSC, DHG and TCM either narrowed gains or lost ground on Monday. DHG shares lost 1.6 per cent, while SSI and HSC shares were down 1.3 per cent and 1.4 per cent.

Meanwhile, shares in PV Gas and TCM ended up 0.2 per cent each, down from their intra-day growth peaks of 0.9 per cent and 2 per cent.

Global markets also moved with anxiety about the possibility of a US-China trade deal, which received strong support from US President Donald Trump last weekend but was again in doubt on Monday.

Investors remained cautious about market conditions as they began seeking opportunities in other groups rather than staying with large-cap companies when corporate earnings were being revealed, Thanh Cong Securities Co (TCSC) said in its daily report.

The benchmark VN-Index may recover in the next session but in the short term, it would continue moving sideways with capital flowing into corporates with positive predicted earnings reports, the company said.

On the Ha Noi Stock Exchange, the HNX-Index fell 1.39 per cent to end at 104.01 points after having gained 0.2 per cent last week.

Nearly 30 million shares were traded on the northern market, worth VND343.2 billion.

Macro & Policies

2. Vietnam expects to achieve all major targets in 2019: PM

Vietnam expects to fulfill all socio-economic development targets in 2019, Prime Minister Nguyen Xuan Phuc told the National Assembly in Hanoi on October 21.

In presenting a report on socio-economic situation in 2019 and socio-economic development plan for 2020 at the eighth session of the 14th-tenure National Assembly, the PM said 2019 is expected to be the second consecutive year when the country achieves all 12 major objectives, with five surpassed.

He said the economic growth is forecast to be higher than the target, while macro-economic stability is maintained and inflation kept under control, and major economic balances are strengthened.

The national gross domestic product (GDP) is projected to expand by 6.8 percent this year, one of the highest growth rates in the region and the world, the PM said, stressing that the results are attributable to great endeavours of administrations at all levels, all sectors and the entire nation amidst challenges to agriculture and difficulties faced by export activities.

Over the past time, Vietnam has maintained the macro-economy firmly in the face of uncertainties of the global financial and monetary markets, with the consumer price index (CPI) growing less than 3 percent, lower than the set target, PM Phuc said.

The building of new-style rural areas has reaped outstanding achievements, he reported, adding that by the end of this year, about 53-54 percent of communes and 110 districts are set to win the status, meeting the target set for 2020 nearly two years ahead of schedule.

The Government leader also highlighted outcomes in other areas like Party building and rectification, political system consolidation and the combat against corruption and wastefulness.

Mentioning recent complex developments in the East Sea, including serious infringements upon Vietnam's waters, PM Phuc affirmed that the Party and State have resolutely and persistently struggled against the violations by many measures in line with international law, including the 1982 United Nations Convention on the Law of the Sea, while maintaining a peaceful environment, friendship and cooperation with other countries.

However, apart from these above-said achievements, there still remain weaknesses and challenges that need great efforts to be addressed in the time ahead, he pointed out.

Regarding the socio-economic development plan for 2020, PM Phuc said the year 2020 is of significance as it marks the 90th founding anniversary of the Communist Party of Vietnam, the 75th National Day and the 130th birthday of late President Ho Chi Minh. All-level Party congresses will also be held in the year, towards the 13th National Party Congress.

He listed the overall goals for 2020, which are stabilizing the macro-economy; controlling inflation; improving productivity, quality, efficiency and competitiveness of the national economy, accelerating reform and perfection of institutions, creating a favourable, open business environment, stepping up economic restructuring in combination with growth model reform, speeding up the implementation of major national projects, promoting the role of key economic zones and major urban areas, developing high-quality human resources, and spurring economic growth rapidly and sustainably.

Vietnam will try its best to well perform its roles as ASEAN Chair in 2020 and a non-permanent member of the UN Security Council for the 2020-2021 term, while firmly protecting national independence, sovereignty, territorial integrity and a peaceful and stable environment for development, and improving the country's

prestige and position in the international area, PM Phuc said.

He presented some major targets set for next year, including a GDP growth rate at about 6.8 percent, poverty reduction of 1-1.5 percent and health coverage of 90.7 percent, among others.

In an assessment report, head of the NA's Economic Committee Vu Hong Thanh suggested increasing the rate of trained labourers to serve

the target of high-quality human resources development.

Besides, the committee recommended paying more attention to the progress and quality of drafting laws, law enforcement, effective streamlining of administrative procedures, the transparent and strict handling of violations in performing public duties, environmental protection and the fight against diseases and crimes.

3. Swine fever wipes out 20 percent of Vietnam hog herd

Department of Agriculture Undersecretary Ted McKinney has spoken out about the African swine fever outbreaks in Vietnam, explaining that the current death toll is estimated to be 20 percent of the national herd.

There were some reports that the number might be higher, said McKinney, who spoke to reporters on a conference call from Ho Chi Minh City, Vietnam, during a government and agricultural industry trade mission.

Vietnam government officials said this week the spread of the disease has shown signs of slowing and are urging farmers to restore pig herds battered by the outbreak.

"It's tough to say whether African swine fever is contained," said McKinney, who has met with overseas buyers as well as Vietnamese government officials during the trip.

Still, McKinney pointed to one positive sign: the chief executive of a large Vietnamese feed company told him the spread of ASF does not seem to have accelerated in the country.

US pork exports have jumped and hog processors have been vying for business in China, the world's biggest pork consumer, and other markets in Asia, where African swine fever has devastated hog herds, pushed pork prices to record highs and sent imports rocketing. Though not harmful to humans, the disease is deadly to pigs, with no vaccine available.

USDA pork export sales data issued on Friday for the period from 4 to 10 October included "a significant quantity" of sales that may have occurred in previous weeks - including exports to Mexico jumping to a weekly record of 132,381 tonnes, from 2,692 tonnes a week earlier.

In addition to pork, Vietnamese buyers also are purchasing poultry, beef and water buffalo as part of the country's preparation for the Lunar New Year celebrations in January, McKinney said.

"African swine fever continues to clearly be a problem, not just for the countries that have it, but countries like our own that don't want to get it," said McKinney, the USDA undersecretary for trade and foreign agricultural affairs.

The delegation took special precautions ahead of the trip to Vietnam - including no visits to Vietnamese farms - to help ensure that members did not accidentally bring ASF back with them to the United States, McKinney said.

4. VN: Females hold 36% of senior management positions

The HSBC recently published a special report named *She's the Business*. Accordingly, more than a third of female entrepreneurs who took part in a recent survey by HSBC Private Banking said they had experienced gender bias when pitching to investors.

Some faced intrusive questions about their family circumstances. Others said investor panels focused heavily on the downsides of their business plan.

The research, based on a survey of 1,200 entrepreneurs from across the world, also reveals that women secure on average 5 per cent less funding than their male counterparts.

The report found a range of reasons for this gap. One issue is that women starting out as entrepreneurs have limited access to successful female mentors. This makes it harder for them to build the confidence and connections to navigate the start-up environment.

As more women set up their own businesses, grow their wealth and become investors

themselves, the gender imbalance will gradually diminish. But the entrepreneurs taking part in our research suggested there are a number of steps that could be taken to level the playing field now.

Another report of Grant Thornton themed *Women in Business 2019* showing that females hold 29% of senior management positions in the world. In ASEAN, about 94% of enterprises have at least one female senior manager each. Female senior managers accounted for 28%.

In Viet Nam, females owned 36% of senior management positions after the Philippines with 37.5%. Female workers usually hold four senior management titles including financial directors (36%); CEO (30%), and human resource directors or marketing directors (25%).

The Mastercard Index Women Entrepreneurs 2018 reported that due to needs for survival, Vietnamese workers often prefer small-sized business modals with less technology. Female workers find it difficult to become female entrepreneurs as only one in four leaders are females.

5. US remains Vietnam's largest aquatic export market

During the reviewed period, aquatic exports fell by 5.3 per cent to US\$6.2 billion on-year. In September alone, aquatic exports suffered a 10.1 per cent decline to US\$731 million in comparison with the previous month, and down 5.3 per cent against September 2018.

Most notably, seafood exports to the country's major markets plummeted throughout September in comparison with the same period last year, while exports to China, Thailand, and Taiwan (China) saw an upward trend.

Despite exports of aquatic products to Japan endured a fall of 0.5 per cent in September, they enjoyed a rise of 7.8 per cent to US\$1.07 billion during first nine months of the year compared to the same period last year.

Elsewhere, Vietnam's seafood exports to China in September expanded by 39.8 per cent to US\$113.1 million in value.

The total exports of seafood products to China during the first nine months of 2019 hit US\$ 831.8 million, up 14.2 per cent against last year's same period.

In contrast to the Chinese market, exports to the major markets of the EU and the Republic of Korea dropped in September, although exports to Thailand enjoyed a 14.4 per cent rise.

According to statistics released by the International Trade Center (ITC), the UK imported 54,300 tonnes of seafood during July with a value of US\$ 332 million. This represents a fall of 2.1 per

cent in volume and 5 per cent in value compared to July last year.

Between the start of the year and July, the UK imported a total of 402,000 tonnes of aquatic products with a value of US\$2.5 billion, up 6.4 per cent in volume and 5 per cent in value over last year's corresponding period.

For comparison, China sold 44,000 tonnes of seafood to the UK market with a value of US\$217 million during the seven-month period. Vietnam was the third largest exporter of seafood to the UK market during the reviewed period, with 23,000 tonnes worth US\$177 million, a rise of 20.5 per cent in volume and 12.9 per cent in value.

According to the ITC, many Vietnamese seafood products enjoy a high market share in the British market such as frozen shrimp of all types coded HS 030617, frozen catfish coded HS 030462, in addition to processed shrimp of all kinds.

However, during the first seven months, the market share of a number of seafood categories such as frozen catfish fillets and frozen tuna fillets fell in comparison with the same period last year .

This data shows that the UK is attempting to diversify its supply source of seafood as Vietnam's aquatic products are facing tougher competition from this highly lucrative market.

6. Textile sector stuck at bottom of value chain

Nguyen Thi Xuan Thuy, director of the Ministry of Industry and Trade's Centre for Supporting Industrial Development, said at a recent forum that Vietnam's textile industry is still dependent on import of production inputs.

The country plans to have 30,000-76,000 hectares under cotton crops in the 2015-2020 period, but had only 1,000 ha in 2017, and cotton production that year was only 1,000 tons against a target of 20,000-60,000 tons, she said.

The country targets annual fabric production of one billion meters but there is no allocation of funds for it, and so most material has to be imported for production, Thuy noted.

Vietnam imports half the raw material for production from China, and this means its textile products would not enjoy zero import tariffs under the trade pacts it has signed, she added.

But local feedstock producers struggle to sell domestically. Vu Huy Dong, CEO of thread producer Dam San, said 90 percent of his output is exported to China.

"Chinese importers buy the threads, dye them and sell them back to Vietnam at higher prices."

Textile firms are concerned that Vietnam's environmental protection regulations create challenges for businesses.

Pham Xuan Trinh, CEO of HCMC-based textile firm Phong Phu Corp, said some localities only provide 700 cubic meters of water a day to his company while the need is three or four times that.

Government officials admitted that local authorities are reluctant to license textile production, especially dyeing, due to fear of pollution.

Thuy said that Vietnam's environment criteria for the textile industry are now even higher than Japan's.

Whether Vietnam continues to keep them to ensure clean manufacturing or lowers them to boost production of textile feedstock, there needs to be an orientation for development, she added.

Vietnam exported \$30.4 billion worth of textile products last year, up 16.6. percent from 2017, according to the General Statistics Office. It imported \$12.9 billion worth of fabrics, up 13.5 percent.

7. Hanoi to promote tourism in Japan in late October

The Hanoi Promotion Agency (HPA) will launch a tourism promotion programme in Japan and join the Tourism Expo Japan (JATA) 2019 in Osaka later this month, aiming to further exploit the nearly 127 million-strong market.

Running from October 21-28, JATA 2019 is a chance for Hanoi to introduce its latest tourism products and services to Japanese travel firms and tourists, and seek partnership with management agencies, associations and travel companies of Japan, thus drawing more Japanese visitors.

The HPA booth, themed “Hanoi – a safe, friendly, high quality and attractive tourist destination,” will highlight the culture and tourism potential of Hanoi and Vietnam, along with main tourism products of the city such as the Hoan Kiem Lake – Old Quarter pedestrian streets, trade village

tourism and eco-tourism.

Products of localities partnering with Hanoi will be introduced, along with major tourism events in Hanoi, such as the F1 grand prix in April 2020 and SEA Games 2021.

Artists from the Thang Long puppetry theatre will also perform during the exhibition. The HPA delegation will work with the Vietnamese Embassy, the Japanese Tourism Association and the local government of Osaka to promote tourism in the country.

Statistics from the Hanoi Department of Tourism, in 2018, the capital city welcomed nearly 304,000 Japanese tourists, a surge of 105 percent year on year.

Corporate News

8. FPT profit up 28 percent in 9 months

↓ -1.05%

Between January and September, FPT's revenue increased 20.5 percent to VND19.6 trillion (\$847.38 million) while its pretax profit increased 28 percent to VND3.51 trillion (\$151.75 million).

Foreign markets alone brought FPT more than VND8.2 trillion (\$354.52 million) in revenues and VND1.34 trillion (\$57.93 million) in pretax profits. The proportion of revenue and profit from foreign markets contributed 42 percent and 38 percent respectively to the consolidated results of the group.

Serving as the main growth engine, the firm's technology sector achieved revenue and pretax profit of VND11.07 trillion (\$478.6 million) and

VND1.47 trillion (\$45.27 million) respectively for year-on-year increases of 25 percent and 42 percent.

Last year, FPT announced the acquisition of a 90 percent stake in Intellinet Consulting (Intellinet), one of the fastest growing technology consulting companies in the U.S.

The deal was estimated at \$40-50 million, with FPT paying \$30 million upfront and paying the rest over the next three years, based on the company's performance.

With Intellinet, the company expects to boost its operations in the U.S. market. The deal paves the way for FPT Corporation to become a global provider of digital transformation services.

9. HAX: hits 1-yr peak on S.Korean firm's offer; poor Q3 earnings projected

↓ -0.88%

The Class Hyosung offered to pay VND45,500 (US\$1.9) per share for the stake while HAX doesn't accept the price lower than VND50,000 (US\$2.14), or 2.3 times higher than its current price. Both HAX and The Class Hyosung are Mercedes-Benz car dealers.

HAX is scheduled to disclose its Q3/2019 financial statements in next few days, but the Q3 net profit likely to keep falling as no new MBV cars were reportedly sold by dealers in Vietnam during the period. The sales of MBV cars often contribute over 90% of its revenues and sale commissions from MBV have helped HAX gain profits in recent quarters.

Data from VAMA showed that the MBV car sale volume halved from a year earlier to as low as 1,434 units in H1/2019.

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