VIETNAM DAILY NEWS

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Table of content

Table of content

Market Analysis

1. Vietcombank, FPT shares hit new highs

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.67 per cent to end at 1,022.43 points.

The VN-Index was up 1.9 per cent last week.

The banking and technology sectors were the two strongest-growing industries on the stock market.

The two sectors' indices gained 2.6 per cent and 2.1 per cent, data on vietstock.vn showed.

Driving the two industries were shares in Vietcombank (VCB) and FPT Corporation (FPT).

Vietcombank shares jumped 3.6 per cent to touch their highest price of VND92,000 since the bank's debut on the southern bourse 10 years ago.

Tech group FPT also marked a new high on the stock market since debuting in mid December 2006, rising 2.4 per cent to VND59,900.

Strong performances by the two large-cap stocks boosted other companies in their sectors, including the Bank for Investment and Development of Vietnam (BID), Techcombank (TCB), VPBank (VPB) and CMC Corp (CMG).

The large-cap VN30-Index, which tracks the 30 largest stocks by market capitalisation and trading liquidity, rose 0.72 per cent to 940.25 points.

Other sectors that also advanced included securities, retail and healthcare and pharmaceuticals.

According to securities firms, positive developments in the US-China trade relationship over the weekend supported market sentiment, making the Vietnamese market move forward along with other markets in the region.

But brokerage companies warned of some shake-offs before the Vietnamese stock market continued to higher grounds.

It was a good performance overall, VNDirect Securities Corporation (VNDS) said in its daily report.

Positive developments in global markets would support local market sentiment, VNDS said.

But profit-taking signalled the VN-Index may correct in the next trading days, the company said.

Despite Vietcombank, FPT and BIDV making strong gains on Monday, their closing prices were still lower than intraday growth peaks by 0.5-1 per cent.

Meanwhile, the market depended too much on large-cap stocks and investors should pay attention to the fact that declining stocks outnumbered gainers by 185 to 145, MB Securities Co (MBS) noted.

In addition, the VN30 futures that expire in November closed Monday at 937.00 points – 3.25 points lower than the VN30-Index – and that indicated investors thought the market would soon suffer some fluctuations, Sai Gon-Ha Noi Securities (SHS) said.

SHS forecast that the VN-Index may need some rest before heading towards the next resistance level, which is expected at 1,040-1,045 points.

On the Ha Noi Stock Exchange, the HNX-Index gained 0.80 per cent to end at 106.60 points.

The northern market index totalled an increase of nearly 1 per cent last week.

Nearly 260 million shares were traded on the two bourses, worth VND5.54 trillion (US$239 million).

Macro & Policies

2. Vietnam achieves stable growth: Fitch Ratings

"Our positive outlook on Vietnam suggests this divergence could continue, notwithstanding the varying degrees of stabilization seen in the other three sovereigns' credit profiles," said the U.S.-based rating agency.

Fitch Ratings has kept Vietnam's sovereign rating at 'BB.' "The revision of our outlook on Vietnam to positive in May reflected improving economic management, current account surpluses, falling government debt, high growth and stable inflation," the agency explained.

The delayed payment on a Vietnamese government-guaranteed loan in September 2019 was paid in full within the month.

Fitch understood that "the administrative problems that gave rise to this delay are being addressed. Therefore, the delayed payment does not have an immediate impact on the rating."

Last month, Moody's Investors Service put the Ba3 local and foreign currency issuer and senior unsecured ratings of the Vietnamese Government under review as the American credit rating agency became aware of delayed payments on a government debt obligation, driven by "institutional deficiencies."

Moody's said these weaknesses seemed to reflect deficient coordination and planning among various arms of the Government, with a degree of opacity around the decisions and actions needed to meet some of the Government's obligations, and complex bureaucratic processes that can obstruct the smooth and timely payment of government obligations.

The agency also pointed out that there were "no or minimal losses" to creditors, but the coordination gaps within the administration that the delayed payments may reflect point to creditworthiness that may no longer be consistent with a Ba3 rating.

Vietnam's large foreign exchange reserves and modest government financing requirements denote ample capacity to meet debt obligations, it added.

However, the three-month review period will allow the agency to determine whether the revealed institutional weaknesses raise the risk of future delayed or missed payments that could denote a weaker willingness to pay than Moody's has previously assessed.

In the latest rating on Vietnam, Fitch Ratings said that the country's economic expansion has been driven by strong foreign direct investment, mostly into the manufacturing sector, and steady export growth.

The agency compared that exports as a share of Vietnamese gross domestic product (GDP) rose from 2011 to 2018, while the ratio fell in both Sri Lanka and Pakistan.

"Vietnam's current account surpluses have helped build up external buffers and its external liquidity ratio is well above the 'BB' category median, although funding costs will rise over time as Vietnam moves from concessional to market funding," added the agency.

Vietnam's GDP growth remained strong between January and September this year, at 7% from a year earlier. Fitch said a similar annual growth rate in the last quarter would maintain Vietnam as one of the fastest-growing economies in the Asia Pacific region and in the 'BB' rating category globally.

Vietnam appears to be benefitting from near term trade diversion and production shifts resulting from U.S.-China trade tensions. However, Fitch Ratings voices its concern that large-scale relocation of manufacturing to Vietnam will take time, and the country's high degree of trade openness means it may ultimately feel affects from the trade war.

3. Vietnam to officially announce 25.4% upward GDP revision this month

The GSO said in August it would revise up the size of the GDP by 25.4% for the period to meet international norms and better reflect the real size and structure of the economy.

"We have submitted the revision results to the Prime Minister and it will be made public later in November," Nguyen Bich Lam, director of the General Statistics Office told Reuters.

"The upward revision for the 2011-2017 period is still 25.4%," Lam said.

Lam said the announcement will be made later than previously scheduled "because we need more time to calculate the impacts of the revision on macroeconomic indicators."

In its statement in August, the GSO said recent strong private sector growth had not been fully reflected in its statistical data, and that experts at the International Monetary Fund and the United Nations were helping the with the revision.

Vietnam has been targeting annual GDP growth of 6.5%-7.0% for the 2016-2020 period, and last year it grew by 7.08%, according to the International Monetary Fund (IMF), which had put GDP at more than $240 billion in 2018.

Last month, Prime Minister Nguyen Xuan Phuc said Vietnam's GDP growth is expected to exceed 6.8% this year, backed by robust exports and foreign investment.

4. Thai Nguyen FDI a source of pride

At the province's major investment promotion conference last July, Samsung Group CEO Shim Won Hwan explained why the firm had chosen to drop its anchor in Thai Nguyen in 2013.

The tech giant leader recalled that the firm was impressed with not only Thai Nguyen's eminent advantages in technical infrastructure, but also the provincial leaders' strong dedication.

In the early 2010s, Samsung had placed a production facility in the northern province of Bac Ninh. At the time, Thai Nguyen leaders often visited the Bac Ninh complex and expressed desire to host a Samsung project, and their sincerity convinced the South Korean tech titan.

Samsung established its high-tech production complex on handsets and other electronic devices at Yen Binh Industrial Park in Pho Yen town, turning Thai Nguyen into Vietnam's top performer in foreign direct investment attraction that year with more than $3.4 billion in total committed FDI volume, with 22 newly-licensed projects.

Samsung's facility at Yen Binh Industrial Park, the group's largest handset manufacturing complex, has provided jobs to nearly 70,000 local labourers.

After five years of Samsung presence, Thai Nguyen has posted an exponential growth in export business, up from several hundred million US dollars to billions of US dollars annually, placing the province among Vietnam's top export performers.

Since the arrival of Samsung, Thai Nguyen has courted constantly growing FDI influx. The province is currently home to more than 130 overseas investment projects worth nearly $7.7 billion in total registered capital.

To continue posting such laudable achievements, the province has made efforts to constantly improve the local investment climate through timely dissemination of the government's policies and guidance, and increasing support from local authorised management agencies for financiers.

The province has also prioritised attracting those with financial wealth and industry expertise, and showing keen interest towards high technology and the supporting industries in particular.

According to statistics from the Thai Nguyen Department of Planning and Investment, since the major investment conference last summer, Thai

Nguyen has wooed 62 projects from 44 investors with total registered investment value of approximately VND115.6 trillion ($5.03 billion). The province has approved investment proposals and granted new certificates to 28 projects valued more than VND1.64 trillion ($71 million).

Right after the promotion conference, the Thai Nguyen Party Standing Committee issued guidance to push up the realisation of signed investment projects. Along with that, a steering committee was set up and tasked with investment project facilitation led by the chairman of the provincial People's Committee.

Projects having signed MoUs with the province are in the process of finalising investment procedures, many of them on a large scale and run by leading local companies such as T&T Group, FLC Group, Danko, and TMS to name but a few. The province's strong commitment has significantly inspired the investors' mindset.

Do Quang Hien, chairman of privately-held T&T Group said, "If things go smoothly, we will complete the legal setup this year and complete the investment phase by 2025."

Besides big groups, many locally-based businesses have engaged in expansion related to initiatives signed at last year's investment promotion event.

TNG Investment and Trading JSC, with a string of projects on apparel production, social housing, and Son Cam I industrial cluster construction, is one such example. According to Nguyen Van Thoi, chairman of TNG and chair of the Thai Nguyen Business Association, the enactment of Resolution 09 by provincial leaders on improving the local investment climate will breathe new air into the province's investment landscape in the months ahead.

"I believe Thai Nguyen's investment will catch robust growth in the upcoming time," Thoi said.

By virtue of open policies and a proper approach in funding attraction, the FDI volume in the province during 2012-2017 jumped 70 times compared to that in the period 1993-2012. In the first half of this year, foreign-invested businesses raked in $16.32 billion in total revenue, of which their export value touched $13 billion and tax payment hit VND3.5 trillion ($152 million), creating jobs for about 110,000 labourers.

5. Leading pharma firm fined for securities-related violations

Accordingly, the biggest pharmaceutical company in Danang city was fined VND70 million ($3,050) for failing to submit reports on schedule.

Danapha was also fined VND350 million ($15,200) for not registering transactions and listing securities; and VND85 million ($3,695) for violating the regulations on corporate governance and others.

Established in 1965, Danapha has a long and proud history of sustainable development. It has a steady position in the Vietnamese pharmaceutical market and is now ready for international opportunities. Danapha is now recognised as a high technology pharmaceutical company in Vietnam.

Danapha targets a revenue of VND550 billion ($23.91 million) in 2019. Suggested solutions for this mission are enhancing the so-called ethical drugs channel (ETC), adjusting policies and producing suitable products to develop the over-the-counter channel (OTC) and non-description drugs; modernise as well as machines and equipment to improve product quality.

Looking to the future, the company aims to be one of the top 10 prestigious pharmaceutical manufacturers in Vietnam, and become a popular pharmaceutical brand in Southeast Asia.

6. Foreign businesses look to expand investment in Vietnam

Many foreign businesses have come to explore the investment opportunities in Vietnam recently with the intention of investing or expanding operation in the country, according to the Ministry of Industry and Trade.

Samsung – the biggest foreign investor in Vietnam at present with total registered capital of over 17 billion USD – has asked Vietnamese ministries and departments and authorities of Bac Ninh to facilitate investment procedures for Samsung Display Vietnam so that the country can expand its complex in the northern province.

Similarly, a delegation of companies which are partners of VinaCapital – which is managing total assets of over 3.3 billion USD – expressed hope to invest in Vietnam in numerous fields, including liquefied natural gas (LNG), technology, tourism, consumption and real estate.

Meanwhile, the US Fitbit smartwatch and Tile household electronics makers said they will move their factories from China to neighbouring countries, including Vietnam.

Japan's Sharp, Kyocera, and other businesses are also eyeing to open factories in Vietnam.

According to experts, that many foreign enterprises want to invest and expand investment in Vietnam can be partly attributed to the country's strong increase – 10 places - in the recent rankings of the global competitiveness index (GCI).

However, Vietnam should exert more efforts to improve competitiveness as many countries in the regions such as Thailand and China are offering new policies to attract investment, they said./.

7. Cost overruns in HCMC's first metro project explained

Vietnam typically takes out yen loans for projects funded by Japanese official development assistance (ODA). Therefore, any fluctuations of the Japanese currency would have immediate effect on yen loans for Vietnam.

In the report, the Government said that the surge in costs of the city's first metro line, which links Ben Thanh Market in District 1 and Suoi Tien Theme Park in District 9, resulted from price changes for materials and minimum wage hikes in the 2006-2009 period, *VnEconomy* news site reported.

The higher-than-expected costs were also blamed on the increasing workload to drive the project's efficiency. In particular, the costs of equipment at stations and of carriages were increased to meet demand. Modern systems were purchased to ensure safety.

The third reason for the cost overruns was the fluctuating rate between the Japanese yen and the Vietnamese dong and backup costs, according to the report.

The total original investment for the project approved in 2007 was some 126 billion yen, or VND17.4 trillion. The recalculated cost soared to 236.6 billion yen, or VND47.3 trillion in 2011. In 2018, the Government reported this figure to the National Assembly.

Currently, the total investment capital for the project is estimated at 229.7 billion yen, or VND47.3 trillion, with 203.1 billion yen, or VND41.8 trillion, coming from yen loans funded by the Japanese Government and some VND5.5 trillion taken from the city's budget.

To mobilize foreign capital for the project, the Ministry of Finance has signed three agreements to borrow 155.3 billion yen from the Japanese government.

The total disbursement for the project so far amounts to VND15.8 trillion, or 77.8 billion yen, making up 38% of the total ODA loans.

The HCMC government is in the process of completing procedures to have the adjusted plan passed.

Due to delays in site clearance and funding, the city's first metro line is scheduled to be ready in the fourth quarter of 2021, instead of 2020.

Corporate News

8. BIDV issues bonds worth $216 million

↑ 2.93%

The bonds have two tenors. For seven-year maturity bonds, the floating coupon rate is the reference rate plus 1.3 percent, and for 10-year maturity bonds, reference rate plus 1.4 percent.

The reference rate refers to the average of the 12-month deposit rates for individuals at BIDV, Vietcombank. VietinBank and Agribank, the four biggest state-owned lenders in Vietnam by assets. The average rate at the four banks now stands at 6.92 percent.

The bonds, which are non-convertible and non-collateral, are issued to increase the bank's medium and long term capital.

Since the beginning of this year, excluding its latest issue, BIDV has raised VND3 trillion ($129.4 million) from bonds.

BIDV last week became the largest bank by charter capital in the country after selling a 15 percent stake to South Korea's KEB Hana Bank.

Its charter capital now is over VND40 trillion ($1.73 billion), surpassing those of Vietcombank and Vietinbank, who are close behind at over VND37 trillion ($1.6 billion) each.

In January-August, Vietnamese banks issued over VND56 trillion ($2.42 billion) worth of bonds, accounting for half of the total bond issues, according to stock brokerage Saigon Securities Inc (SSI). 99.6 percent of bank bonds were bought, it added.

9. Ripple, Vietnam-based TPBank partner for blockchain remittances

↓ -0.22%

Claiming to be the first Vietnamese bank to apply blockchain technology for overseas remittances, TPBank announced Monday that RippleNet will allow its customers to make a money transfer from Japan to a TPBank account in a "few minutes" from previous a "few hours."

The bank, which was founded in 2008 and has 136,000 billion Vietnamese dong (~$6 billion) worth of total assets, plans to also support transfers from Korea in the future.

RippleNet "immediately" updates information and status of each transaction to all parties, ensuring money orders are quickly executed, "error-free and with low cost," said TPBank.

Last month, London-based fintech giant Finastra also joined RippleNet, which has over 200 financial institutions as its partners and continues to expand further.

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