



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index to move flat, large-cap stocks to weaken amid lack of information

Viet Nam's benchmark VN-Index last week ended at its 13-month high but its struggle on the last two days signalled growth had stalled and it would move sideways in the coming week.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange finished at 1,022.49 points on Friday, totalling a weekly gain of 0.68 per cent last week.

The VN-Index advanced on the back of large-cap stocks as they boosted the VN-Index above 1,008 points, which was previously reached in October 2018.

Banks, building material producers and construction firms were among the strongest gainers and supported the market.

Most of the 30 largest companies by market capitalisation and trading liquidity had released their third-quarter earnings reports such as Vietcombank (VCB), Hoa Phat (HPG), Vincom Retail (VRE), Vinhomes (VHM), retailer Mobile World Investment (MWG) and dairy firm Vinamilk (VNM).

Analysts believed the market ran out of growth momentum as the effect of the corporate earnings season had been reflected in the growth of blue chips earlier.

The VN-Index had met some strong resistance when it tried to beat the 1,025-1,030 point zone, which was also the previous peak in October 2018, Ngo Quoc Hung, senior analyst at MB Securities Co's market strategy department, told tinnhanhchungkhoan.vn.

"The index's struggle was totally normal and any declines in the early days of next week are also expected especially after the benchmark index and VN30 large-caps have made the strongest rallies so far in the year," he said.

Normally, the market needed to settle down after breaking through a resistance point, and it is the

1,000 points in the case of the VN-Index, so that it can target sustainable growth, he said.

"Therefore, any declines from now on are only technical as the market is still in its uptrend scenario," Hung added.

Further growth of the market would depend on the inflow of the capital, or cash, according to Phan Dung Khanh, Maybank Kim Eng Securities Co's director of investment and consultancy.

Trading liquidity was declining so it would be hard for the VN-Index to continue growing and surpass 1,030 points soon, he said.

The Vietnamese market may benefit from the movement of global stocks on positive news about the US-China trade war and the prospects of the domestic economy and companies, he added.

The trade relations between the two largest economies have been progressing in recent weeks as the two sides have been willing to step down to cool down the war that has dragged on the global economy.

After Chile cancelled its hosting of the APEC Summit for domestic instability, some other places have been suggested as alternatives for the signing of the US-China phase 1 trade agreement.

However, US President Donald Trump on Friday said he had not agreed to remove all tariffs though China really wants to. The statement cast out new doubts about the trade deal progress.

Hung warned the last three months of the year would lack news for the stock market and the domestic market had already claimed to the new high, so a short-term correction was likely.

The growth of local stocks doesn't match the growth of the VN-Index as attention was mostly paid to large-cap stocks while mid-cap and small-cap stocks had been ignored, according to Hung.

Since October end, 43.5 per cent of all HoSE-listed stocks advanced and 49.5 per cent of them declined. Only a fifth of the gainers beat the gain of the VN-Index.

In the VN30 basket, only a third of the 30 largest stocks were able to beat the VN-Index in the same period.

Khanh said blue-chip stocks were still strong enough and they would still take the main role to drive the market up.

However, the large-caps may need some rest before returning to the action, he added.

Macro & Policies

2. Opportunities could be missed if no sandbox model is developed

Opportunities will slip through Vietnamese firms' hands if a sandbox is not developed soon, NextTech chairman Nguyen Hoa Binh said at a conference on November 7.

A sandbox is a regulatory field where technological firms operate and test new ideas to help the local economy catch up with the latest global developments.

New, creative business models cannot be handled by a traditional legal framework, he said.

For the last 10 years, electronic payment has become a big sector in Vietnam. But without the support of the State Bank of Vietnam (SBV), this sector wouldn't have developed, nor would financial technology (fintech) firms, Binh said.

If new technologies and applications – which prove efficient for society – are not used broadly, there will be more spending and instability for development, he said.

In addition, the State budget may suffer a big loss of income as the lack of regulations may help foreign traders evade taxes when doing business via tech apps in Vietnam, he said.

Moreover, foreign investors will be discouraged when finding investment opportunities in the country as they fear a lack of regulations will enhance risks, Binh said.

Nguyen Xuan Viet Binh, executive of e-wallet firm Moca – partner with mobile transport platform Grab, said a regulatory sandbox may force fintech firms to get more creative.

People will be able to get closer access to comprehensive financial and banking services, encouraging the development of a cashless economy in Vietnam, he said.

He suggested the regulatory sandbox should differentiate already existing ideas from brand new ones as current methods should be monitored in the short term to evaluate their feasibility and efficiency.

Meanwhile, authorities should watch new business models such as peer-to-peer (P2P) lending in the long term so companies can make the best use of those models, he added.

Businesses can develop their products and services, then the outcomes are evaluated by the public. Any advantages and drawbacks would be found, as will solutions, Viet Binh said.

According to Financial Deep Mind general director Bui Viet Dung, a regulatory sandbox should only contain firms with new business models and technologies and Government agencies should watch the sandbox closely with risk-hedging solutions.

Ngo Van Duc, a senior official at the Payment Department of the SBV, acknowledged there was no doubt the fintech sector will grow stronger in Vietnam, however, more could be done to help it.

He said there are no regulations mentioning the management of fintech firms, so it is necessary to make a place where companies are free to test new ideas.

Nguyen Quang Dong, Director of the Institute for Policy Studies and Media Development (IPS), suggested the Government form a special unit to take care of the development of the regulatory sandbox.

The unit should include different ministries, the SBV and other agencies so they are all held accountable, he said./.

3. Vietnam, US look to expand trade, investment cooperation

The US attaches special importance to developing cooperative ties with Vietnam in different fields,

visiting US Secretary of Commerce Wilbur Ross told Minister of Industry and Trade Tran Tuan Anh.

In a meeting in Hanoi on November 8, Ross thanked the Vietnamese Government for its efforts to improve the investment environment and creating favourable conditions for US companies in particular and foreign businesses in general to effectively operate in Vietnam.

There is great potential for the two countries to foster economic cooperation, especially in the spheres of energy, aviation, and construction, he said, adding that the US delegation's visit to Vietnam aims to further strengthen bilateral economic, trade and investment ties.

Ross hoped the Vietnamese Government would continue to make it easy for US businesses to expand investment and trade cooperation with Vietnamese partners for the sake of both nations.

For his part, Anh affirmed that building strategic trust is one of the most important factors to substantially promote the comprehensive cooperative partnership between Vietnam and the US for the benefits of their people.

The Government of Vietnam in general and the Ministry of Industry and Trade (MoIT) in particular want to work closely with the US to deepen the bilateral cooperation in a practical and effective manner, especially in the fields of economy, trade and investment, he said.

Vietnam is taking many solutions to balance its trade with the US, such as stepping up cooperative ties with the federal government and state administrations in the fields of mutual interest

and encouraging the import of goods and services from the US, the minister stressed.

Regarding cooperation in the fight against goods origin frauds and illegal transshipment, Anh suggested that the two sides should further strengthen the coordination mechanism, especially after the Customs Mutual Assistance Agreement (CMAA) is signed in the coming time.

He took the occasion to thank for the US side's recent decision to recognise Vietnam's food safety control system on catfish as equivalent to American regulations.

He appreciated the US for continuing to consider Vietnam as the focus of its Tradewinds trade promotion programme in 2020, noting that Vietnam will coordinate closely with the US to ensure the programme's success.

Anh spoke highly of Ross's speech at the Indo Pacific Business Forum on the sidelines of the 35th ASEAN Summit in Thailand on November 4, which spotlighted the Blue Dot Network initiative of the US to promote sustainable infrastructure development with high-quality and reliable standards.

The MoIT is interested in promoting this relationship with the goal of building Vietnam as a reliable partner of the US, he stressed.

Vietnam and the US have enjoyed continuous growth in bilateral trade and investment cooperation in recent years, with two-way trade hitting 60 billion USD in 2018, and 35.4 billion USD in the first half of 2019. The US has been one of the biggest trade partners of Vietnam for many years./.

4. Vietnam eligible to export catfish, fish products to US

The Food Safety and Inspection Service (FSIS) under the US Department of Agriculture (USDA) has recognised Vietnam as a country eligible to export Siluriformes fish (catfish, including tra fish) and fish products to the US.

The US Office of the Federal Register announced the FSIS's legal notice on the determination on November 5.

Accordingly, FSIS has determined that Vietnam's Siluriformes fish inspection system is equivalent to the system that the US has established under the Federal Meat Inspection Act and its

implementing regulations. FSIS is amending the Siluriformes fish inspection regulations to list Vietnam as a country eligible to export Siluriformes fish and fish products to the US.

Under this final rule, only raw Siluriformes fish and fish products produced in certified Vietnamese establishments are eligible for export to the US market.

Aside from Vietnamese authorities' certification, Siluriformes fish products exported from Vietnam will continue to be subject to re-inspection by FSIS at US points of entry for transportation damage, product and container defects, labeling, proper certification, general condition, and accurate count.

In addition, FSIS will continue to conduct other types of re-inspection activities, such as taking product samples for laboratory analysis to detect drug and chemical residues and pathogens, as well as to identify product species and composition. Products that pass re-inspection will be stamped with the official mark of inspection and allowed to enter the US.

If they do not meet US requirements, they will be denied entry and within 45 days they must be exported to the country of origin, destroyed, or converted to animal food, depending on the violation.

From 2014 to 2018, 91.2 percent of total Siluriformes fish imports to the US were from Vietnam, according to FSIS.

Vietnamese Deputy Minister of Agriculture and Rural Development Phung Duc Tien described the determination by the USDA as a positive result as it has recognised Vietnam's efforts to fine-tune and implement its legal system for more than

three years. This rule, together with positive signs in the market and rising demand for aquatic products at the end of the year, will create chances for Vietnam to boost aquatic product exports.

Nguyen Nhu Tiep, Director of the ministry's National Agro-Forestry-Fisheries Quality Assurance Department, also believed that the US's recognition is an important driving force for the sector to develop sustainably in the time ahead.

The move will support exports to not only the US but also other markets since it proves that Vietnam's capacity for quality and food safety control in tra fish production chains has met one of the strictest requirements in the world, he added.

As required by the 2014 Farm Bill, the USDA launched an inspection programme for fish under the order Siluriformes in March 2016. This programme required that to continue exporting catfish, mostly tra fish, to the US, Vietnam had to build and organise its inspection system equivalent to the US's in terms of three groups of criteria, namely the legal system on food quality and safety control; the law enforcement capacity of authorised agencies; and conditions for ensuring food safety and hygiene during the whole process from fry production, farming, transportation, process to export to the US.

In May 2018, an FSIS inspection team made a fact-finding trip to Vietnam and recognised that Vietnam's inspection system in catfish production, processing and export completely meets the US's regulations.

The draft rule was unveiled in September 2018 to collect public opinions and won a majority of support. The USDA announced the final rule on October 31./.

5. Cross-border developments advance logistics

With annual growth of 12-14 per cent, the logistics industry boasts huge potential for growth. In addition to traditional logistics services provided by Vietnamese firms and multinational corporations to meet demands of goods flows, areas such as warehouse and distribution, the cold chain, and e-logistics have emerged as attractive

channels for foreign businesses, and targets of those interested in mergers and acquisitions (M&A). These are the segments that Vietnamese logistics firms have few advantages and are yet to pay due attention to.

M&A is the favoured approach among Asian investors, especially those from Japan and South Korea. In the recent past, the majority of M&A deals in the Vietnamese logistics sector mainly involved businesses from Japan and South Korea. This momentum continues today, with two cases involving Japanese firms so far this year. They include one in which a Japanese company acquired a 10.1 per cent, and the other with a 30.3 per cent acquisition.

Recently, a number of South Korean and Japanese firms have been studying the possibilities of entering the Vietnamese logistics market by acquiring a stake in a local partner to develop cross-border transport services in the central region. There is growing overseas demand for imports of fruits and frozen food from Vietnam. The country's cold supply chain remains weak, thus they eye to expand these services across Vietnam, especially in the Mekong Delta and in the south in general.

M&A is forecast to remain a popular trend in the months to come. Domestic logistics firms want to co-operate with foreign partners to enlarge operations while they in turn aim for co-operation in order to cut costs.

The trend is attributed to the rapid growth of Vietnam's export-oriented manufacturing sector and strong inflow in international investment, as well as recent improvements in the legal framework.

In the case of Vietnam, the government has found the means to promote logistics services, and logistics infrastructure has been given priority to develop. Deep sea ports such as Cai Mep-Thi Vai in the south and Lach Huyen in the north now can accept vessels of over 100,000 deadweight tonnage for trans-world shipments, besides the other seaports which provide shipping services between the country and ASEAN member states.

Vietnam's shipping services play an important role in developing trade between the country and the ASEAN as more than 90 per cent of her exports and imports are transported by sea.

Currently, many air services connecting with the region offer favourable movements of passengers and air cargo. The inland waterways, particularly in the Mekong Delta, are encouraged for

development to serve import and export in the area, noticeably in maritime and agricultural products. Investments in cold chain storage are also most welcome.

In terms of market assess, the government promulgated Decree No.163/2017/ND-CP in 2017 regulating the operations of open logistics services in Vietnam, enabling foreign logistics providers to participate in the development of the market at different levels in the form of commercial presence such as representative offices, business co-operation contracts, joint ventures, establishment of an enterprise or capital contribution, or purchase of shares in an enterprise, of which the foreign capital contribution ratio is not more than 49, 50, or 51 per cent or not limited depending on the type of logistics service.

In a move to create more favourable legal conditions for the development of the logistics industry, the Vietnamese government has also issued new regulations on e-commerce in line with market trends.

They include Decree No.08/2018/ND-CP issued in 2018 on amendments and removal of some regulations on e-commerce in 2013's Decree No.52/2013/ND-CP on e-commerce. The government is also completing other relevant legal documents, including development of a master plan on management of e-commerce activities related to exports and imports, and a decree governing management of cross-border e-commerce in customs activities.

These legal documents are expected to be issued before the end of the year, creating positive impacts on logistics service providers in the digital age in the months to come.

Vietnam has geopolitical advantages, located on the world's most important maritime route, which accounts for about 85 per cent of East-West freight movements, and connecting mainland China with ASEAN countries. Imports and exports of Vietnam are mainly transported by sea, and the country has a network of roads, airways, and railways linking countries in the Greater Mekong Subregion, the ASEAN, and towards Europe.

According to the Import-Export Agency of the Ministry of Industry and Trade, by October last

year, Vietnam had signed or is negotiating 16 new free trade agreements (FTAs). Of the 16, there are two vital agreements namely the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the EU-Vietnam FTA (EVFTA), with maximum tariff reductions that will strongly promote import, export, production, and investment, thereby creating a premise both in terms of goods and transport infrastructure, and rapid development of the logistics service industry.

If the EVFTA takes effect in 2020, the growth rate of Vietnamese exports to the EU will climb 20 per cent by 2020, 42.75 per cent by 2025, and 44.37 per cent by 2030, lending a boost to GDP, and in this trend the demands for logistics service will significantly rise.

For international markets, approximately 75 per cent of logistics enterprises are providing services

to customers in Southeast Asia and China. The Japanese market accounts for 69.2 per cent, while the rate of enterprises serving customers with exports to South Korea and Europe reached 56.4 and 51.9 per cent, respectively. The US market accounts for 50.4 per cent, while the African markets take 20.3 per cent and a number of others make up less than 5 per cent.

The EU ranks fifth among export markets under the services of logistics service providers in Vietnam.

In the opposite direction, 81.5 per cent of enterprises currently provide logistics services for goods imported from China, with Southeast Asia at 73.1 per cent, South Korea 71.5 per cent, Japan at 70 per cent, and Europe and the US both fluctuate around 50 per cent.

6. Ministry of Industry and Trade asks for supplement license of solar and wind power

To ensure the supply and demand of electricity, the representative of the Ministry of Industry and Trade said the ministry would mobilise sources such as coal power, hydroelectricity and solar power.

In addition, the Ministry would submit to the Government a new mechanism for solar power with a supplement plan of adding about 6,000 MW of solar power and 1,500 MW of wind power.

In case of severe shortage of electricity when hydroelectricity is insufficient, Anh would ask for 8,000 MW of solar power and 3,000 MW of wind power.

As of June 30, the country had 87 solar power plants in operation with a total installed capacity of 4,464 MW, accounting for 8.3 per cent of the national electricity system.

However, most of these factories are concentrated in south-central provinces of Ninh Thuận and Bình Thuận, causing overloading of the transmission grid.

The minister said the risk of not having backup electricity in high load areas like the Southwest region was very high. The biggest cause was the unfavourable weather conditions, and hydroelectricity did not have enough water.

In addition, Việt Nam faces a decline in the primary energy market when it is forecasted to have to import 20 million tonnes of coal by 2020 and increase to 35 million tonnes of coal by 2035.

The gas source is also not enough to generate electricity for projects in the Southeast and some projects in the Southwest region, he said.

The ministry also assigned the Vietnam Oil and Gas Group (PVN) to negotiate to buy gas from Malaysia and Thailand to ensure electricity supply to the Western and Southeastern regions.

In the long term for sustainable development of the energy sector, the ministry considered developing large gas power centres such as Long Sơn, Cà Ná and Bạc Liêu.

The minister said they would propose the Government to add the development of gas power

centres to the master plan as the country was no

longer able to develop coal power.

7. Vietnamese national brand valued at US\$247 billion

In 2000, Vietnamese brands were not listed by international organizations. This year, the total brand value of the top 50 brands of Vietnam was US\$9.3 billion, the Government news website reported.

Over the last three years, Vietnam jumped eight places to 42nd among 100 countries and territories in terms of national brand value thanks to the Government's efforts to reform the business environment, boost import-export activities and support enterprises.

The Government's national brand program is a long-term trade promotion program to introduce high-quality products of Vietnam.

Over the last 15 years, the program has brought multiple positive results, contributing significantly to raising the awareness of management agencies and enterprises of the importance of brand development and protection. The program has also helped enterprises improve their business capability and promote their brands.

In the 2020-2030 period, the country will continue executing the program in line with trade

strategies. The growth of the total export revenue from products under national brands is expected to be higher than the country's average export turnover growth.

The country is also expected to have more than 1,000 products that meet national brand standards by 2030.

In addition, the proportion of local enterprises aware of the crucial role of branding in their production and business is scheduled to increase to 90%. Also, all products recognized as meeting national brand standards will be promoted in both local and key export markets.

The Trade Promotion Department, under the Ministry of Industry and Trade, will sign a cooperation agreement with Brand Finance to jointly launch programs to promote "Vietnam Value" and enterprises with products that meet national brand standards. The two sides will also cooperate to develop brands from new enterprises in the food processing, textile and garment, footwear and wood sectors.

Corporate News

8. HDBank named among top 10 leading profitable banks

↑ 1.72%

The bank's profit in the first nine months of this year reached VNĐ3.45 trillion (US\$148.3 million), the highest ever.

With this result, the bank's return on assets (ROA) and return on equity (ROE) ratios will reach 1.7 per cent and 20.2 per cent, respectively.

Notably, HDBank's net profit margin reached 4.6 per cent, among the top three listed banks with the highest net profit margin.

Vietnam Report has just released the Profit500 rankings and outstanding items including the top 10 enterprises in the field of banking, finance and securities.

The top 10 leading profitable banks include Vietcombank, HDBank, Vietinbank, Techcombank, VPBank, MB and ACB.

Besides, Vietnam Report also has assessments on indicators, business environment, as well as potential industries, of which banking industry ranked fifth with strong growth in the period 2020-25.

9. REE raises ownership in Mườ̄ng Hum Hydro Power to 49 per cent

↓ -1.04%

Therefore, since the fourth quarter of this year, MHP is an associate of REE.

MHP was established on June 17, headquartered in the northern mountainous province of Lào Cai.

According to Lào Cai Newspaper, MHP operates the 32MW Mườ̄ng Hum Hydroelectric Plant, whose annual electricity output reaches 121.86 kWh, joining the national electricity grid in March 2011.

REE has also increased its ownership in Thuận Bình Wind Power Company from 25 per cent to 49.1 per cent, by purchasing shares of Thuận Bình offered by the Việt Nam Electricity (EVN) in an auction held in late March. In the sale, REE spent about VNĐ69 billion (US\$2.94 million).

Another of REE's associate companies, Thác Mơ Hydropower Company, also holds 20 per cent of Thuận Bình.

Thuận Bình Wind Power Company has charter capital of VNĐ163 billion, with key business being construction, transmission and distribution of electricity.

The company focuses on building renewable energy projects such as wind power, solar power and biomass power, providing consultancy services during the construction and operation of renewable energy projects.

After the deal with MHP, REE has stakes in 13 electricity producers. The company has developed a strategy focusing on electricity, water and real estate for many years.

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