



VIETNAM DAILY NEWS

November 14th, 2019



JAPAN SECURITIES INC.

Table of content

Table of content

1. Blue-chips dip as supply soars
2. Vietnamese goods fair in Melbourne to be held this month
3. Vietnam holds 20% of Southeast Asia's oil exploration and production market
4. An expo for Vietnamese footwear to stride forward
5. Vietnamese rice crowned world's best title
6. Vietnamese startups partner with RoK investors
7. Stock market briefs Nov 13, 2019
8. DXG: Report on Change in Ownership by Major Shareholders

Market Analysis

1. Blue-chips dip as supply soars

The VN-Index slumped on Wednesday as supply increased in the afternoon trading session, causing blue-chips to lose ground.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HOSE) lost 0.55 per cent to close at 1,012.77 points.

Nearly 287 million shares were traded on the southern bourse, worth VND6.75 trillion (US\$288.5 million).

On the southern stock market, declining stocks outnumbered gainers by 202 to 105, while 83 stocks ended flat.

The index had risen 0.16 per cent to close Tuesday at 1,018.33 points.

Many large-cap stocks suffered from the sell-offs, including Vietcombank (VCB) (-1.3 per cent), dairy firm Vinamilk (VNM) (-1.6 per cent), real estate developer Vinhomes (VHM) (-0.7 per cent), brewery Sabeco (SAB) (-1.2 per cent), Techcombank (TCB) (-1.6 per cent), Vingroup (VIC) (-0.3 per cent), steelmaker Hoa Phat Group (HPG) (-1.5 per cent), Masan Group (MSN) (-0.9 per cent) and Vietinbank (CTG) (-0.7 per cent).

Among the few pillars to make gains were Bank for Investment and Development of Viet Nam (BID) (+1.9 per cent), and Ha Noi Beer Alcohol and Beverage Joint Stock Corporation (BHN) (+3.8 per cent).

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity, lost 0.77 per cent to close at 932.60 points.

In the VN30 basket, 19 of the 30 largest stocks dropped off.

On a sector basis, logistics, retail, healthcare, agriculture, information and technology, food and beverage, insurance, construction, banks, property developers and petroleum firms were among the worst-performing industries.

According to BIDV Securities Co (BSC), in addition to conflicting signals about the trade agreement President Trump mentioned in a speech on Tuesday, profit-taking pressure in volatile areas also showed the index would need more time to settle.

Investors could open part of their positions in stocks that were fundamentally favourable, BSC said.

Foreign investors net sold VND737.90 billion on HOSE, including in Vietinbank (CTG) (VND625.79 billion), Vinamilk (VNM) (VND139.11 billion) and Vingroup (VIC) (VND70.81 billion). They were net buyers on the HNX with a value of VND31.61 billion.

According to Saigon-Hanoi Securities Co (SHS), the market may continue to witness negative movements until demand returns. On Thursday, the VN-Index may continue correcting and hovering around the support zone of 1,000-1,005 points.

On the Ha Noi Stock Exchange (HNX), the HNX-Index gained 0.22 per cent to end at 107.20 points on Wednesday.

More than 29.3 million shares were traded on the northern bourse, worth VND339 billion.

On the HNX, Asia Commercial Joint Stock Bank (ACB) (+1.2 per cent), Tien Phong Plastic JSC (NTP) (+1.6 per cent), Vietnam Trading and Construction Development Investment Joint Stock Company (MBG) (+5.7 per cent) helped the index rally.

Macro & Policies

2. Vietnamese goods fair in Melbourne to be held this month

A Vietnamese goods fair will be held by the HCM City People's Committee in Melbourne, Australia from November 26 – 28, featuring 34 exhibitors from both countries.

The 50-booth fair will take place at Pullman Hotel Melbourne Albert Park to showcase HCM City's 11 groups of key products.

The fair aims to introduce HCM City's best products and services to consumers in Melbourne and to create a platform for business networking between companies of both sides, he said. "In return, we are also welcoming products from Melbourne and Victoria State to HCM City," he added.

Currently, Australia is Vietnam's eighth largest trade partner and HCM City's 18th biggest investor with 197 FDI projects in the southern hub.

Trade between HCM City and Australia has been on the rise since the ASEAN – Australia – New Zealand Free Trade Area (AANZFTA) took effect in 2010. Last year, two-way trade totalled nearly 979 million USD with exports from HCM City growing 2.72 percent from 2017 to 578.5 million USD.

HCM City mainly exports computers, electronics and parts, textile and garment, footwear and machinery to Australia.

The city plans to organise a variety of activities and events on the sidelines of the fair to beef up friendship and cooperation between the two sides. A highlight will be a seminar on potential of the Australian market and opportunities for Vietnamese products, expected to gather about 100 – 120 firms from both sides.

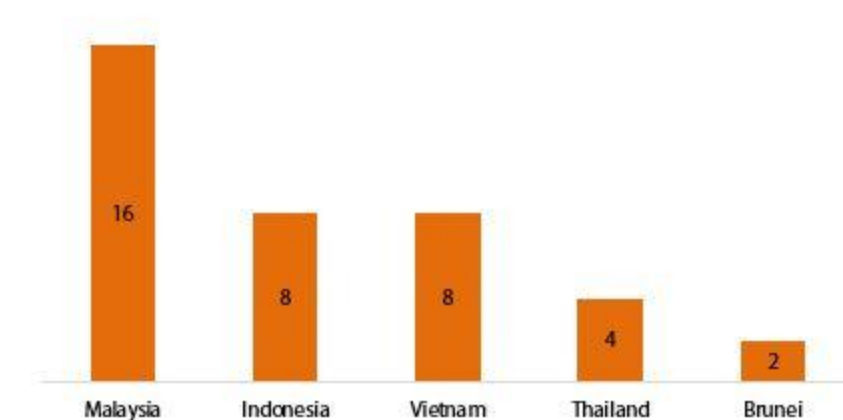
The city's leaders will also review the progress of the opening of a HCM City trade and investment promotion centre in Melbourne and meet Vietnamese and Australian business leaders./.

3. Vietnam holds 20% of Southeast Asia's oil exploration and production market

Vietnam currently ranked second in Southeast Asia in terms of the number of drilling rigs with eight under disposal, holding 20% of the

Southeast Asian oil exploration and production (E&P) market, according to Viet Dragon Securities Company (VDSC).

Figure 3: Drilling rigs by countries

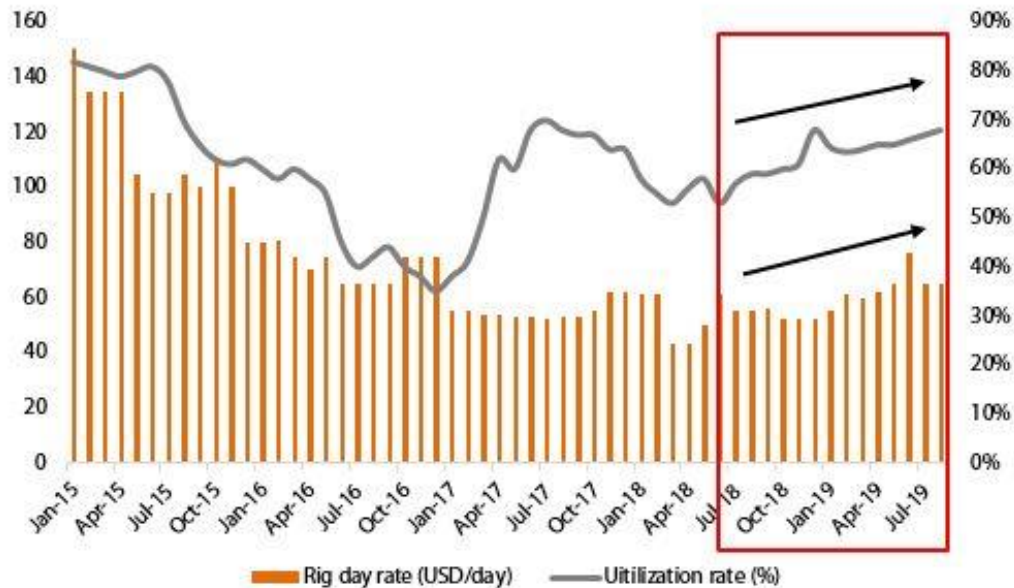


Source: Rong Viet Securities compiled

With 16 drilling rigs, Malaysia accounts for half of the region's jack-up rig demand, while the rest is divided to Brunei and Thailand.

According to VDSC, seven out of 11 Southeast Asian nations are oil explorers and producers, partly due to their geographical location, including Brunei, Indonesia, Malaysia, Myanmar, the Philippines, Thailand, and Vietnam.

Figure 1: Rig day rate (LHS) and utilization rate (RHS) in SEA

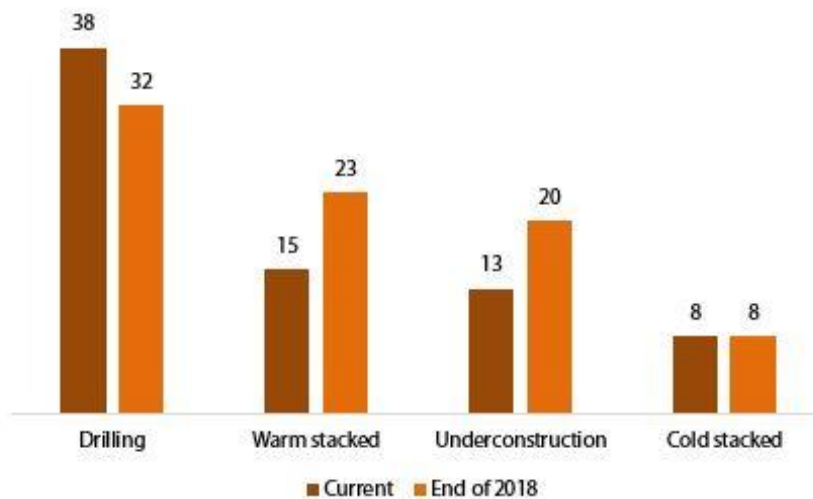


Source: Rong Viet Securities compiled

Due to the recent downtrend of oil price, E&P activities have slowed down and have only experienced some improvement since 2018.

However, the demand for jack-up rig has recovered, thanks to the slight increase in two main indicators: rig day rate and utilization rate.

Figure 2: Jack Up rigs now and at the end of 2018 (Units)

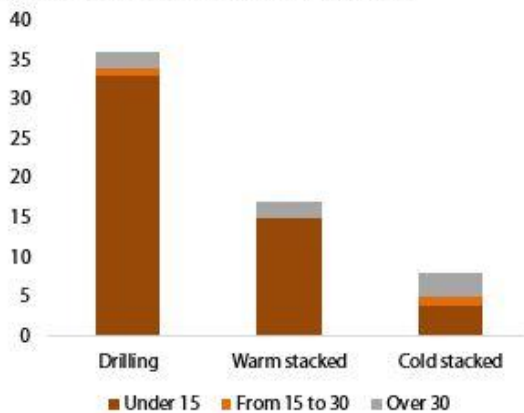


Source: Rong Viet Securities compiled

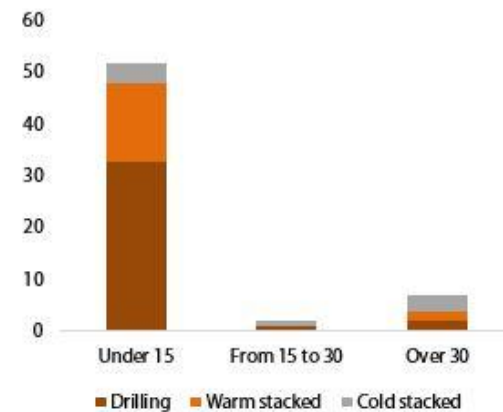
Currently, there are 74 jack-up rigs operating in Southeast Asia, of which 38 are in drilling mode, 15 in warm stacked mode and the rest are in the cold stacked mode. There are another 13 rigs under construction in Singapore. Compared to the beginning of 2018, the contracted rigs increased by five units as of present. Since 2017-2018, the number of contracted rigs has improved significantly.

Typically, drilling rigs are classified into three main categories: under 15 years old, 15-30 years old and over 30 years old. Young rigs, which are under 15 years old, account for 85% of the total (excluding the under-construction rigs) in Southeast Asia, resulting in fierce competition in the region. Data shows that 33 out of 36 contracted rigs are young. So the 13 rigs being built in Singapore can be seen as potential competition for existing rigs in the region.

Figure 4: Status of Jack Up rig by age in SEA



Source: Rong Viet Securities compiled



Source: Rong Viet Securities compiled

Looking closely at the recently new built rigs, not all young ones can easily find work. Although the number of rigs being built is high, the ability 'to be' in the market for some of those is quite low since owners are mostly financial institutions who have no experience in operating rigs. As well, oil gas operators prefer older rigs that have been in operation for a while. Therefore, the probability to find jobs for these rigs is low, which puts less pressure on existing ones.

In 2019, seven rigs have been produced, however, only four of them are staying in Southeast Asia and only one rig is drilling. The remaining rigs are looking for jobs or moving to other areas. From 2016 to 2018, the number of rigs that found work in Southeast Asia was only four out of nine built. Most of the young rigs that have jobs were built in 2016 or earlier.

Table 1: Status of new built Jack Up rigs

	2016	2017	2018	2019
Drilling	2	1	1	1
Warm stacked		1	4	3
Under construction				5
Cold stacked				
Total	2	2	5	9

Source: Rong Viet Securities compiled

According to GlobalData, the total oil production in the region is expected to increase from under 50,000 barrels/day to 223,000 barrels/day in 2025, leading to a surge in demand for E&P activities.

As a result, the demand for jack-up rigs will keep growing. As HIS Markit stated, demand in Southeast Asia is set to continue on its upward trajectory to an average around 40.5 units in 2020, up from the 32.7 units in 2019. Vietnam,

Indonesia and Malaysia are all forecast have an addition of two units for each country.

Along with higher demand, the day rate is projected to go up thanks to the positive correlation between utilization rate and day rate. Westwood Global Energy Group reports that the

day rate in Southeast Asia could rise from US\$60,000/day to around US\$80,000/day.

PetroVietnam Drilling and Well Services (PV Drilling), a unit of state-run energy firm Vietnam Oil and Gas Group (PetroVietnam), has recently re-signed new contracts with an average day rate 15%-20% higher compared to previous ones.

4. An expo for Vietnamese footwear to stride forward

An important destination

At a meeting with Deputy Prime Minister Vuong Dinh Hue in June this year, Chris Helzer, vice chairman of US-based Nike Inc., said in 2020 Nike will celebrate 25 years of operation in Vietnam, affirming that this is the most important market of Nike in production and export with up to 50 per cent of Nike products worldwide being manufactured in the country.

Nike also highly values the quality of the Vietnamese workforce which has contributed to the success of the world's leading sportswear manufacturer.

Last year, Kasper Rorsted, CEO of Adidas, told shareholders that factories in Vietnam turned out 44 per cent of the total number of footwear of Adidas in 2017, up from 31 per cent in 2012, while Chinese suppliers accounted for 19 per cent, down from over 30 per cent in 2012.

Apart from Nike and Adidas, many other well-known footwear and sportswear brands in the world have boosted their subcontracting and production activities in Vietnam, which help spur domestic footwear development and earn foreign currencies from footwear exports. Vietnamese footwear products have been exported to over 100 countries, securing the second position in the world in terms of footwear export.

According to the General Department of Vietnam Customs, footwear exports in the first nine months of 2019 reached \$13.25 billion, up 12.9 per cent on-year.

The EU and the US continued to be the two major import markets, with respective sales increases of \$3.64 billion (up 7.8 per cent) and \$4.87 billion

(up 14.1 per cent), accounting for 64.2 per cent of the total export turnover of this commodity group of the country.

According to experts, the Vietnamese footwear industry has enormous export opportunities. China is now the world's biggest footwear manufacturer and exporter. With labour costs in China rising, multinationals are shifting their factories to neighbouring countries to cut costs while they can still seek materials easily. Vietnam is an apt substitute.

In addition, Vietnam's many free trade agreements (FTAs) with the Eurasian Economic Union, South Korea, the EU, including the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP), have been facilitating the country's footwear exports. Though Vietnam's labour costs are also rising, it is still lower than those in China and Thailand, which has attracted foreign attention to the Vietnamese market.

Where to find machinery and equipment?

Taking advantage of strong industrial development prospects in Southeast Asia as well as professional international exhibition platforms, a series of footwear supply chains will be present at the Vietnam International Footwear Machinery and Material Industry Exhibition (VFM) exhibition to be held in Ho Chi Minh City on November 20-23, 2019.

The VFM will take place at Saigon Exhibition and Convention Centre (SECC), attracting famous brands such as Mingling, Luluxin, Jin Yue Lai (TTY), Hongfeng, Jinxin, Mingan (Taiwei), Sokiei (Benyu), Changmeng, and Teng Yu Long to

introduce automation equipment and technology

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Coincident with the Vietnam International Textile and Garment Industry Exhibition (VTG 2019), VFM will provide necessary machinery, equipment, technology, materials, and accessories for Vietnam's footwear industry.

VFM in 2018 was a resounding success, attracting more than 12,000 visitors from 11 countries and territories. The upcoming VFM 2019 is highly

esteemed by the footwear industry in the country and the region.

The VFM 2019 will continue last year's success to attract visitors from Southeast Asian nations. It is noteworthy that, during the exhibition, there will be a seminar on the “Trump's Trade War: What's Next for Shoes and Apparel” by Peter T. Mangione, global footwear consultant of Global Footwear Partnerships LLC; and on “Branded Athletic Footwear – Innovation Model, Infrastructure and Approach” by Bruno Forcione, head of footwear innovation and footwear strategic sourcing of New Balance International Ltd.

The exhibition is jointly organised by Yorkers Exhibition Service Vietnam and Vietnam National Trade Fair and Advertising Co. (Vinexad). The event is co-organised by Hong Kong Apparel Machine Association, Paper Communication Exhibition Service Co., and Guangdong Sewing Equipment Chamber of Commerce.

5. Vietnamese rice crowned world's best title

The World's Best Rice 2019 contest was held from November 11-13 in Manila, the Philippines, by rice industry analysts The Rice Trader. This is the 11th annual event of its kind.

The ST24 rice variety was created by Agricultural Engineer Ho Quang Cua, who was former deputy director of Soc Trang Province's Department of Agriculture and Rural Development, and his co-workers.

The competition's panel of judges comprises famous international food experts, culinary consultants and acclaimed chefs. They use four criteria when judging; fragrance, flavour, glutinous texture and appearance. The judges blind-tasted the rice and award them points with no prior knowledge of their origin or type.

The Vietnamese rice topped this year's contest, followed by a Thai variety.

The ST24 rice variety, which is seen as a specialty of the Mekong Delta province of Soc Trang, was ranked first in the Vietnamese best rice contest which took place on November 4.

It can yield over five tonnes per hectare and has the aroma of pineapple.

The World's Best Rice took place for the first time in 2009 in Cebu of the Philippines and has rotated through countries that grow rice as a central crop.

6. Vietnamese startups partner with RoK investors

The Vietnam Tech Investment Report produced by ESP Capital and Cento Ventures shows that Korean firms were the most active investors during the year's first half, having participated in

almost 30% of the deals with a total capital of 246 million USD.

The “Vietnam Startup Roadshow in Korea 2019” was held in Seoul and Busan recently to inform Korean investors of Vietnam's improved startup ecosystem.

In July Nextrans invested in Base.vn, a Vietnamese Software-as-a-Service (SaaS) platform. Since it entered Vietnam in 2015, Nextrans has poured tens of millions of USD into 10 Vietnamese startups, including Luxstay, Jamja, Ecotruck, and Leflair.

STIC Ventures of STIC Investment is another major player from South Korea. STIC Investment eyes SMEs while STIC Ventures focuses its investment on technology startups. STIC's investment list includes Tiki, Cammsys Vietnam, and Nanogen Biopharmaceutical.

South Korean investors say Vietnam has a bustling startup ecosystem, and Vietnamese and Korean

businesses share certain similarities. The Vietnamese government has offered incentives to venture firms and startups.

The “Vietnam Startup Roadshow in Korea 2019” drew 200 venture firms. During workshops, seminars, and networking events, Vietnamese startups sought investment from South Korean venture firms and financiers. Startup support centers, management agencies, and policy makers discussed experience in startup models and got a clearer view of Vietnam's startup ecosystem.

Korean investors say they will expand their investment portfolios into lucrative sectors like mobile services, fintech, and bio and agricultural technology. ESP Capital estimates that capital invested in Vietnam in fiscal year 2019 will reach 800 million USD.

Corporate News

7. Stock market briefs Nov 13, 2019

↓ -0.54%

The transaction, which is subject to regulatory approvals, is a part of a distribution agreement between Vietcombank and FWD Group to establish an exclusive 15-year bancassurance partnership.

We had earlier reported that FWD Group was about to close a \$400-million acquisition of VCLI. The deal is part of a bancassurance transaction which could be worth up to \$1 billion, with the \$400-million amount as an initial payment from the insurer for exclusive rights to sell its products at the Vietnamese bank's branches.

FWD plans to integrate VCLI into its existing business in Vietnam after the transaction is approved and completed.

In the meantime, VCLI will continue to operate as before, through all its existing channels. VCLI customers will not be affected by the transfer of ownership to FWD.

“This transaction and partnership with Vietcombank will take our Vietnam business to the next level and boost our ambitions to build a leading bancassurance franchise across the region

as we continue to change the way people feel about insurance,” said FWD Group CEO Huynh Thanh Phong.

Established in 1963, Vietcombank is one of the leading commercial banks in Vietnam with total assets of \$50 billion and highest market capitalization among credit institutions listed on Vietnam's stock market.

Vietcombank Cardif posted total revenue of 485.2 billion dong (\$20.8 million) in 2018, representing a 49.3 per cent year-on-year growth. However, its losses after tax grew threefold over 2017 to 37.96 billion dong last year.

FWD entered Vietnam in 2016 through the acquisition of Great Eastern's Vietnam business for S\$48.2 million (\$35 million). In 2017, FWD Vietnam partnered with Nam A Bank as part of a 15-year bancassurance agreement.

Last year, UK-based financial services group Prudential plc sold 100 per cent of its consumer finance business in Vietnam Prudential Vietnam Finance Company Limited (PVFC) to Shinhan Card Co., Ltd., a subsidiary of the Korean Shinhan Financial Group for a consideration of \$151 million.

8. DXG: Report on Change in Ownership by Major Shareholders

↓ -1.24%

Report on Change in Ownership by Major Shareholders of Dat Xanh Group Joint Stock Company as follows:

File Attachment

[20191113_DXG-191113-Report-on-Change-in-Ownership-by-Major-Shareholders.pdf](#)

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