



VIETNAM DAILY NEWS

November 18th, 2019



JAPAN SECURITIES INC.

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Market Analysis

1. VN-Index drops for third day, dragged down by heavyweight stocks

The VN-Index dropped 0.22 per cent to end Friday at 1,010.03 points. This was also its fourth falling session this week with a combined loss of 1.2 per cent.

Overall market conditions were negative with 181 shares declining, 137 rising and 105 unchanged.

Blue chips diverged when 13 of the top 30 largest shares by market value and liquidity on the southern bourse gained and 12 advanced. The five others remained flat.

Some gainers supported the market such as PV Gas, Mobile World Investment and Viet Nam Prosperity Bank which increased by more than 1 per cent each. However, the losses of Vinamilk (down 2.3 per cent), Vietcombank (down 1.3 per cent) and the Bank for Investment and Development of Viet Nam (BIDV) (down 1.2 per cent) – three of the seven largest listed firms – weighed on the market.

The market dropped with liquidity at an average level. Delayed US-China trade negotiations partly affected the market in the past week, analysts at BIDV Securities Co wrote in a daily report.

More than 212 million shares worth nearly VND7 trillion (US\$300.8 million) were traded on the southern bourse on Friday.

“However, the Ho Chi Minh Stock Exchange will officially launch the three new investment indices – VN Diamond, VNFIN Lead and VNFIN Select – which are expected to create new momentum for the index, solving the problem of foreign ownership limits,” the report said.

The HCM City exchange said it would launch the three new investment tools next Monday and these indices would serve as a basis for fund management companies to operate index-based investment funds (ETFs).

On the Ha Noi Stock Exchange, the HNX-Index also decreased for a second day, down 0.2 per cent to end trading at 106.03 points, with 28 million shares worth VND537 billion (\$23 million) exchanged.

“After the previous breakout, the market will possibly enter an accumulation phase in 1,000-1,030 points for different stock sectors to build value and establish a new price level before rebounding,” said Tran Xuan Bach, a stock analyst at Bao Viet Securities Co.

He said due to a lack of supporting information this week, the market might fluctuate with wide divergence among sectors.

Macro & Policies

2. Banks race to lower service fees

Since early this month, Vietnam Prosperity Joint Stock Commercial Bank (VPBank) has offered free services for the first 10 money transfer transactions made on its VPBank Online app. From the 11th transaction, customers will be refunded the fee if their account balance is at least VND10 million, *Nguoi Lao Dong* newspaper reported.

At Tien Phong Bank (TPBank), customers have also been exempted from fees when transferring money through the TPBank eBank app to accounts in other banks and when withdrawing cash from ATMs nationwide, except for the ATMs of foreign banks such as HSBC, Standard Chartered and Vietnam-Russia Joint Venture Bank.

By December 31, Nam A Bank will provide free services to new customers. Customers using the bank's Internet Banking, SMS Banking, Mobile Banking and Open Banking services are also entitled to the fee exemption.

Those who transact at the bank's branches are exempt from account management, money transfer and cash withdrawal fees.

Large banks, such as Bank for Foreign Trade of Vietnam (Vietcombank), Vietnam Technological and Commercial Joint Stock Bank (Techcombank), Vietnam International Bank and Viet Capital Bank, have also introduced fee reduction and exemption policies to attract customers.

Specifically, Vietcombank will reduce its fee for domestic debit card holders withdrawing money from the ATMs of other banks, from VND3,000 (excluding value added tax) to VND2,500 per

service. The policy will be applied from November 11 this year to the end of next year.

According to experts, customers pay the most attention to fees when using banking services. Therefore, many banks have reduced or cut their service fees, and these policies have proved successful.

Techcombank, for example, after applying the zero-fee program for all transactions on its F@st I-bank and F@st mobile apps, has seen demand deposits made at the bank increasing 13% in the January-September period. In addition, the number of customers surged.

According to the leaders of some commercial banks, the annual interest rates of call deposits now range from 0.1% to 1%, much lower than the rates of 4.5%-5% for one-month savings. The large amount of non-term deposits will help improve banks' liquidity amid the decline in short-term capital used for long- and medium-term loans, as required by the State Bank of Vietnam.

Bui Quang Tin, an expert in banking and finance, said the fee reduction and exemption policies are indispensable in the context that many noncash and intermediate payment service providers are competing directly with banks.

Meanwhile, Huynh Trung Minh, another expert in the sector, stated that banks will also benefit from the free service policy as they can build their customer database to promote the cross-selling of products and services, such as lending and insurance.

3. Insurance companies need more high-tech products to be competitive

Speaking at the Viet Nam Insurance Summit, Dr Nguyen Viet Hung, deputy head of the Department of Financial Informatics and Statistics under the Ministry of Finance, said that more IT products should be created by insurance companies to meet customer demand.

The Government has been working on legal regulations on electronic transactions and applied technologies in the Industry 4.0 era. Current legal regulations recognise electronic invoices, and a digital financial-service ecosystem is being set up, he said.

Deputy Minister of Finance Huynh Quang Hai said the ministry should use IT in managing and monitoring the market professionally and effectively. Developing a safe, effective and sustainable insurance market will help raise long-term capital for the economy and protect financial risks for investors, he said.

Tina Nguyen, CEO of Generali Viet Nam, said that insurance firms should increase investment in high-tech applications to reduce risks.

“Compared to the past, more and more young people under 30 years old buy insurance and they like technology,” Tina said.

Nguyen Xuan Viet, chairman of Viet Nam Insurance Association and general director of Bao Viet Insurance Corporation, said that many insurance firms, especially foreign ones, had been applying technology for a long time.

“Young customers like a fast process when they buy insurance,” Viet said, adding that insurance firms should change the method of operation and create more products to attract young customers.

Le Van Thanh, CEO of Bao Minh Insurance, said: “Technologies help us develop distribution channels, and manage and serve customers better.”

Viet said that agencies should connect data with the insurance association so that analyses can be made for more effective development.

Viet Nam's insurance industry aims to have annual growth rate of 20 per cent by next year and 15 per cent annually in the next five years.

Ngo Viet Trung, the finance authority's deputy head, said that by next year 11 per cent of the country's population will have life insurance. The rate will increase to 15 per cent in the next five years.

According to data from the Viet Nam Insurance Association, 8 per cent of Viet Nam's population has life insurance.

The country has 64 insurance companies, including 30 non-life insurers, 18 life insurers, two reinsurance companies and 14 insurance brokerage companies.

As of September, the total assets of the insurance market had reached VND441 trillion (US\$19 million), an increase of 19 per cent compared to the same period last year.

Total insurance revenues have been VND112 trillion, increasing by 20 per cent against the same period last year. In that time, insurance firms paid out VND28 trillion, an increase of 12 per cent compared to the same period last year.

The summit was held by the Viet Nam Insurance Association and IEC Group.

4. Seminar discusses Vietnam-US trade ties in new context

Trade relations between Vietnam and the US will continue expanding but will also be affected by challenges in the future, heard a seminar in Hanoi on November 14.

Opening the event, Assoc. Prof. Dr. Cu Chi Loi, Director of the Institute of American Studies under the Vietnam Academy of Social Sciences, said since Vietnam-US relations were normalised in 1995, bilateral trade ties have been growing.

The US is a major trade partner of Vietnam, he noted, adding that Vietnam's shipments to the

American market are rising, with the US becoming Vietnam's biggest importer at present.

Talking about the US foreign policy and its impact on Vietnam, Dr. Nguyen Thi Hai Yen from the Institute of American Studies said the US highly values Vietnam's role in its Indo-Pacific Strategy as Vietnam has an important geographical and strategic location in the connection of the two oceans.

The administration of US President Donald Trump attaches great importance to enhancing

cooperation in politics, diplomacy, economy, defence and security with Vietnam, Yen said.

She added that the Indo-Pacific Strategy will generate many opportunities as well as challenges for Vietnam since competition in the region is entering a new phase that is more complicated, and risks of friction among big countries increases.

Regarding the prospects of Vietnam-US trade relations, Dr. Le Thi Van Nga, another expert from the institute, said bilateral trade ties will keep developing with both exports and imports rising. However, they will be affected by the US's trade

policy that aims to protect domestic producers, as well as by other challenges in the future.

At the seminar, participants stressed the new context is posing considerable challenges to Vietnam during its integration into the world and promotion of economic ties with the US.

Therefore, Vietnam should perfect legal regulations on foreign trade, improve human resources' capacity, reform production process by importing advanced technologies, and seek new export destinations to reduce dependence on certain large markets, they said./.

5. Steel products experience slow consumption in October

The VSA said construction steel production of its members reached 914,520 tonnes in October, up 10.05 per cent compared to September and similar to to the same period in 2018. However, consumption reached 867,356 tonnes, up 9.42 per cent compared to September but down 3.2 per cent compared to the same period last year.

The association also calculated that production of hot rolled steel products reached 353,420 tonnes, up 17.28 per cent compared to September and up 3.4 per cent over the same period in 2018, but consumption was only 291,850 tonnes, down 7.83 per cent and 1.5 per cent compared to September and the same period last year, respectively.

Similarly, cold rolled steel production reached 331,365 tonnes, up 1.96 per cent compared to September and equal to last year. Consumption reached 184,920 tonnes, a decrease of 6.72 per cent compared to September but an increase of 4.3 per cent compared to the same period last year.

Colour-coated steel production saw the sharpest decline in October, reaching 348,902 tonnes, an increase of 4.51 per cent compared to September, but down 15.3 per cent compared to the same period last year. Consumption reached 325,998 tonnes, an increase of 4.32 per cent compared to September but down 5.3 per cent year-on-year.

Exports declined 18.8 per cent compared to the same period in 2018 to 130,158 tonnes. In recent years exports of corrugated iron products had

been on the rise. The decrease in consumption and increased production had caused problems for many enterprises, forcing them to lay off employees.

Ninh Thi Bich Thuy, general director of TVP Steel Joint Stock Company, said the consumption of corrugated iron faced difficulties due to local competitive pressure between local and imported products as well as from the US-China trade war which affected exports with stricter trade barriers.

Thuy told local media that tightened lending from banks for the realty market had also slowed down the construction industry, having a knock-on impact.

As of September 30, Viet Nam had exported more than 5.95 million tonnes of finished and semi-finished products, up 3.9 per cent in volume over the same period in 2018 but down 8 per cent in value, reaching over \$3.9 billion.

Notably, exports of colour-coated steel products decreased by 22.5 per cent, while cold rolled steel dropped by 29 per cent.

According to the VSA, while exports fell sharply, imports had continued to increase year by year. As of September 30, imports of finished and semi-finished steel products reached more than 12 million tonnes, and total import turnover reached more than \$8.2 billion. Most imported products

came from China, Japan, South Korea, Taiwan and India.

A VSA leader said: “We are unable to see any improvements to current production and business.”

To help local steel producers, on October 29, the Ministry of Industry and Trade (MoIT) decided to

apply anti-dumping duties on some colour-coated steel products originating from the Republic of Korea (RoK) and China.

The MoIT also extended anti-dumping duties on cold-rolled stainless steel products originating from China, Indonesia, Malaysia and Taiwan (China) for an additional five years, starting from October 26.

6. MoF to give tax incentives for automobile manufacturers, electric car imports

The PM also asked relevant ministries and departments to create good conditions to help the industry “take advantage of latecomers” by developing the local engineering industry and joining the global value chain.

That involved helping enterprises access information, advanced technology and the application of new technologies such as robotics, 3D printing and self automation to improve productivity and competitiveness.

The Ministry of Science and Technology has been tasked with stepping up research and development to manufacture high-tech products and to expand scientific and technological co-operation with strategic partners.

Tax incentives for development

Regarding taxes and fees, Phuc requested the MoF to submit a proposal with amended policies to help automobile manufacturers and assemblers increase the domestic value ratio, reduce costs, and increase competitiveness against imported Complete Built-Up products.

The PM also instructed the MoF to offer import tariff incentives for parts used to assemble environmentally-friendly cars.

Earlier this year, the MoF announced a plan to add electric cars to the list of incentive tax beneficiaries, saying it would encourage the development of the local car industry.

Up to now, there are no Vietnamese businesses manufacturing or assembling environmentally-friendly vehicles, which the ministry defines as electric, hybrid, biofuel or compressed natural gas powered.

There are 358 businesses in the auto industry, but the country imports over 90 per cent of its auto parts. Most cars sold in the country are foreign brands imported or assembled locally.

Most recently, Ha Noi was struck by unsafe levels of pollution, making it among the worst in the world, with environmental authorities reporting that levels of PM 2.5 – tiny air particles – had reached a five-year high.

According to data, 70 per cent of the volume of gases emitted into the environment comes from motor vehicles. There are many outdated vehicles which emit a huge amount of gas in Ha Noi and HCM City.

Corporate News

7. Listed auto retailers' shares suffer from low earnings

↓ -1.12%

TMT Motors Corporation (HoSE: TMT) and Hoang Huy Investment Services JSC (HoSE: HHS) both recorded lower profits and even losses after three quarters.

TMT Motors earned only VND92.5 million (US\$4,000) of profit in the third quarter, down 99 per cent year-on-year, despite net revenue increasing by 75 per cent annually to VND257 billion.

According to TMT's board of directors, the costs of sales increased as higher material expenses hit the profit margin. In addition, the firm did not sell any of its assets in the past quarter, unlike last year, while expenditure for advertising, sales and management hiked.

After three quarters, the company recorded a loss of VND6.5 billion compared to a nine-month profit of VND8 billion in 2018. Its total revenue fell 6.3 per cent year on year to VND131.7 billion in the nine-month period.

TMT Motors shares ended Friday at VND5,490 each.

Hoang Huy Investment Services posted a year-on-year loss of 89 per cent in nine-month revenue, which was VND374.8 billion. Its profit dropped a third to VND109 billion in January-September.

Sales of trucks and trailers – the firm's core division – hit VND109.6 billion in nine months, 29 per cent of its total revenue but the lowest amount in several years.

The company has rotated to investing in real estate with hopes that revenue from selling property would boost its earnings.

Its shares finished this week at VND3,040.

Shares of Hang Xanh Motors Service JSC (HoSE: HAX) have declined in recent weeks after news it would accept a takeover bid from the South Korean firm The Class Hyosung.

The South Korean company offered to purchase 51 per cent of Hang Xanh for at least VND45,000 per share. The Vietnamese firm wants VND50,000 per share.

Speculation about the deal boosted Hang Xanh shares up to VND23,250 per share. But its shares ended Friday at VND17,600 per share.

After nine months, the company earned VND3.63 trillion in total revenue, up 11 per cent year-on-year. But net profit fell 31 per cent to VND44 billion.

Based on earnings and potential business activities, BIDV Securities Co (BSC) has marked auto stocks “neutral” for the last quarter of 2019.

In 2020, BSC expected Vietnamese auto retailers would benefit from the cut of car import tax, which will fall to zero per cent and increase demand for car purchases.

In addition, the car industry is entering the last quarter of the year, also known as the sales season, which will raise auto firms' earnings and lift shares, according to BSC.

According to the Vietnam Automobile Manufacturers' Association, total auto sales in October exceeded 27,400 vehicles in October, down 3 per cent year on year.

After 10 months, more than 246,000 vehicles were sold, up 15 per cent from the same time last year.

8. FPT earnings grow steadily

↑ 0.51%

Post-tax profit in the 10-month period was up 26.5 per cent to VND4 trillion.

The company has fulfilled 83 per cent of its full-year revenue target and 90 per cent of the profit goal.

Earnings per share for shareholders were VND4,013, up 27.1 per cent from 2018.

The technology division was still the growth engine for FPT, with VND12.4 trillion in revenue and VND1.7 trillion in pre-tax profit.

The figures were up 23.8 per cent and 40 per cent year-on-year.

Sales of technology products in overseas markets hit VND8.8 trillion, up 31.4 per cent, and pre-tax profit gained 35.6 per cent to VND1.44 trillion.

The telecommunications division recorded an increase of 16.4 per cent in 10-month revenue to VND8.46 trillion. Its pre-tax profit grew by 15.6 per cent to VND1.46 trillion.

Other overseas activities brought the group VND9.24 trillion in revenue and VND1.54 trillion in pre-tax profit, up 28 per cent and 31.5 per cent year-on-year.

Sales and profit from overseas markets also accounted for 42 per cent and 39 per cent of the group's 10-month total. The rates in 2018 were 39 per cent and 37 per cent, respectively.

FPT shares edged up 0.5 per cent to close Friday at VND58,600 per share.

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