



VIETNAM DAILY NEWS

November 20th, 2019



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Market Analysis

1. VCB, VNM send stock market up

Although a majority of stocks struggled, the local market recovered today, November 19, after four consecutive losing sessions, thanks to heavyweights VNM and VCB.

On the Hochiminh Stock Exchange, the VN-Index added 5.44 points, or 0.54%, against the previous day at 1,008.35. Trade improved thanks to some large block deals, with volume jumping 26% at 232.3 million shares and value rising 14% at VND4.7 trillion.

Lender VCB and dairy firm VNM hit the intraday highs of VND91,000 and VND124,000, which were up 3.9% and 3% from a session earlier. Eight other bank stocks on the southern market followed suit, while STB closed unchanged and EIB slid 2.1% at VND18,350.

Notably, property group FLC and its affiliates such as ROS, AMD and HAI went up to their ceiling prices with high matching volumes. Construction firm ROS still took the lead by volume on the HCMC market with 28.5 million shares traded.

According to securities firms, the VN-Index may continue struggling in the range of 1,000 and 1,005 points in the coming days with large-cap stocks pulled in different directions.

In global markets, all eyes are on United States-China trade talks, which are expected to produce positive results in December, and the next U.S.

central bank's meeting, which will deliver a clearer path on how global financial markets will move.

Viet Capital Securities Company in its report said that a new Government decree allows the foreign ownership limit (FOL) in air carriers to be raised from 30% to 34%.

Moreover, the minimum capital requirement is lowered to VND300 billion, VND600 billion and VND700 billion for airlines that have 10, 11-30 and more than 30 aircraft and operate international flights, respectively.

"In our view, the relaxed FOL is beneficial for the incumbents such as HVN and VJC as they can raise more capital for expansion. However, the lower capital requirement will lower the barriers to market entry, which could fuel the already-strong competition. Currently, there are three new airlines waiting for licenses, namely Vinpearl Air, Viettravel Air and Kite Air," it said.

On the Hanoi Stock Exchange, the HNX-Index added 0.34 point, or 0.32%, at 105.49. Lender NVB was the most actively traded stock on the northern market with 1.6 million shares transacted, followed by its fellow bank ACB with 1.4 million shares.

Macro & Policies

2. ADB expert identifies ways to make HCMC a financial hub

In a blog post, Donald Lambert, principal private sector development specialist at ADB's Southeast Asia Department, made his recommendations based on information discussed [at the 2019 HCMC Economic Forum](#), held last month, which focused on turning the city into a global financial center.

With key financial reforms, Lambert stated, the southern metropolis has the potential to follow the models of Tokyo, Shanghai, Mumbai and other global cities that have achieved financial prominence.

"HCMC joins a growing list of cities from Colombo to Kuala Lumpur that have announced their intentions to become international intermediators of capital," he said.

He pointed out the best approach for most countries, including Vietnam, is to first focus on becoming a national financial center. Vietnam has high investment needs. For infrastructure alone, the annual investment demand is estimated at US\$18 billion-US\$20 billion.

If HCMC can become an increasingly effective intermediary, raising capital efficiently not only from domestic sources but also international ones, it will not only drive the development of Vietnam's real economy but also develop the skills and experience necessary to transform from a national financial center to an international one.

"A national and later global financial center will require investment in physical infrastructure as well as education and training, but policy reforms are the sine qua non. Indeed, global financial centers across the world share some common characteristics," remarked the expert.

The country is in need of a comprehensive legal framework. "International investors need clear laws that are predictably enforced," he added.

Vietnam currently has several important laws that need to be strengthened while others need to be introduced, including the Law on Securities; the Law on Credit Institutions; and a law on public-private partnerships to attract more investment

into domestic securities, banking and infrastructure.

Meanwhile, solid market infrastructure plays a crucial role in the ambitious scheme.

"Investors are drawn to markets where they can complete trades efficiently and cost-effectively. Vietnam is lagging in several key areas. Real time gross settlement and delivery-versus-payment are under development," he noted.

He claimed that the netting regime does not meet international standards and forces foreign banks to hold extra capital against exposure in Vietnam. Also, the country does not have a market-determined, short-term benchmark interest rate, which is "a cornerstone for so many other components of a modern capital market."

On the third aspect, he stated that investors want predictability. "The implication is that monetary policy decisions must be made with a certain degree of independence. This includes foreign exchange rate flexibility, interbank interest rate stability and inflation targeting," he explained.

The final point is that Vietnam has committed itself to adopting the Financial Action Task Force's recommendations on anti-money laundering and combating the financing of terrorism.

"These are critical to ensure that foreign banks and investors can transact safely in the domestic market," he said.

Vietnam's growth trajectory only amplifies HCMC's opportunities. By 2050, Vietnam is projected to be among the 20 largest economies in the world.

"If HCMC, in coordination with the central government, can apply these key financial reforms, it has the potential to follow the models of Tokyo, Shanghai, Mumbai and others that achieved global financial prominence by first funding the development of their own domestic economies," he said.

3. Vietnam among top in footwear production

Vietnam is the third largest country in the world in terms of footwear production and second in terms of export turnover, Mr. Le Xuan Duong, Director of the Footwear Research and Development Center at the Vietnam Leather, Footwear and Handbag Association (Lefaso), told the China Jinjang Brands on the Maritime Silk Road conference held within the framework of Vietnam Sport Show 2019 on November 16 in Hanoi.

According to Lefaso's figures, Vietnam has an average export price of \$16.6 per pair, while China has a lower price, of about \$5 per pair.

Vietnam is also manufacturing and processing for the world's leading sports shoes brands, such as Nike and Adidas.

Vietnam produced nearly 1.2 billion pairs of shoes last year, an increase of 130 per cent compared to 2008.

Sports shoes totaled 828 million pairs, accounting for 70 per cent of footwear output. There are some 2,180 enterprises in the country producing footwear.

Vietnam's shoe factories are mainly located in the southern region, which accounts for nearly 70 per cent of enterprises.

Other regions include the Red River Delta, with about 16 per cent, and the Mekong Delta with 10 per cent. Vietnam's leather and footwear industry is concentrated around Ho Chi Minh City and neighboring provinces. FDI enterprises' export turnover and output accounts for up to 80 per cent.

Vietnam is expected to produce about 2 billion pairs of shoes of all kinds by 2025 and 3 billion by 2030. It will also plan to import many raw materials to serve the production of leather and footwear.

Ms. Julia, Asia Regional Business Manager of Kelme, told VET that Vietnam is a country with strong development in sports, especially football, so Kelme is looking forward to seeking cooperation and investment opportunities in the country.

"Vietnam has a lot of sports brands from China, but Kelme offers products at prices competitive with those manufactured in a closed chain," she added.

"In particular, Kelme is an international brand and has exported to many countries around the world, so we are confident of competing with all products in our categories."

The Vietnam Sport Show 2019, a large-scale event for domestic and foreign sporting brands, took place in Hanoi from November 14 to 16.

The show drew 150 exhibitors in 300 pavilions, from China, the Netherlands, South Korea, Japan, Pakistan, Singapore, Taiwan (China), Vietnam, and elsewhere.

The Vietnam Cycle area introduced the latest products and technologies, such as bicycles, electric bicycles, electric motorbikes, safety work clothes and accessories, and bicycle-related toys. VN Economic Times.

4. Vietnam's GDP is high, but uncertainties exist: economists

According to Nguyen Bich Lam, general director of the General Statistics Office (GSO), Vietnam's GDP growth rate in 2018 was over 7 percent, the highest level since 2008. The GDP in the first nine months of 2019 grew by 6.9 percent compared

with the same period in 2018, the highest level compared with the same period of the last 9 years.

Of the factors that made up GDP growth in the first nine months of the year, agriculture, forestry and fishery accounted for the smallest proportion due

to drought and climate change which affected yield and output.

The growth rate of the processing and manufacturing industries, 11.3 percent, was the major driving force of the economy.

Though the economy gained a high growth rate in the first nine months, the Central Institute of Economic Management (CIEM) has warned of uncertainties.

“The manufacturing and processing industries contributed the most to the growth if calculating the percentage points, but I can see that trimming has come back after 3 years of negative growth and rapid increase in inventories. That is, enterprises create high product output, but cannot create purchasing power in the market,” said Nguyen Anh Duong from CIEM.

“The growth rate is high, but there is no quality improvement,” he said.

Nguyen Dinh Cung, former head of CIEM, also warned that all three driving forces behind the growth, namely export, state's investment and foreign investment, show problems.

Cung said the US, with the export growth rate of 26.6 percent, was saved Vietnam's exports. Meanwhile, exports to the EU decreased by 1.9 percent and the Chinese market by 2.9 percent. This has put Vietnam at high risk.

According to GSO, Vietnam's economy is facing challenges, including the slow disbursement of public investment capital, which is described as a 'bottleneck' in the national economy.

In the first nine months of 2019, the total disbursed capital was VND247 trillion, just 60 percent of the plan.

Meanwhile, each one percent increase in public investment capital will lead to 0.6 percent increase in GDP, according to Nguyen Viet Phong from GDP.

Economists say GDP is not the only tool needed to reflect the health of the economy.

Vo Tri Thanh, a respected economist, said the shortcoming of GDP is that it only counts the production capacity within the border, and does not separate the income that foreign investors receive in Vietnam and transfer abroad.

5. Vietnamese firms step up outbound investment

Total outbound Vietnamese investment reached 431.7 million USD in the first nine months of this year, according to the Foreign Investment Agency under the Ministry of Planning and Investment.

The largest share of Vietnamese investment was poured into wholesale and retail sector, and auto and motorbike repairs with 110.6 million USD, accounting for 25.6 percent of the total.

Coming second was science-technology with 83.4 million USD), followed by agriculture-forestry-fishery (64.1 million USD) and real estate (56.9 million USD).

Among the 30 countries and territories where Vietnamese investors landed during the period, Australia was the largest recipient with 140.6 million USD, making up 32.6 percent of the sum.

Other major destinations for Vietnamese investment included the US (59.9 million USD), Spain (59.8 million USD), Cambodia (50.6 million USD) and Singapore (35.6 million USD).

Vietnamese investors have also made efforts to gain footholds in promising markets in the Southeast Asian region.

Vietnamese investment in Cambodia in the first seven months topped 38.5 million USD, equivalent to the accumulative registered capital of the entire 2018, the Ministry of Planning and Investment revealed at the 17th meeting of the Vietnam-Cambodia Joint Committee on Cooperation in Economy, Culture and Science-Technology in Phnom Penh on August 21.

Cambodia ranks third among the 76 countries and territories where Vietnamese investors have been

active. Vietnam is running 214 projects valued at 3.2 billion USD in the neighbouring country.

Vietnam is Cambodia's fifth largest investor, after China, Thailand, the Republic of Korea and Japan, with capital mainly channeled into agriculture and forestry (2.1 billion USD), finance, banking and insurance (370.1 million USD) and telecom services (204.3 million USD).

Other spheres like aviation, mining, processing and manufacturing, warehouse services, health care, construction, tourism, hotels and real estate have also attracted Vietnamese firms.

About half of the total registered capital (1.5 billion USD) has to date been disbursed, and many projects are operational and generating profits.

Laos has lured the largest amount of Vietnamese investment over the years with 4.8 billion USD, while Russia is second with 2.8 billion USD.

Apart from Laos and Cambodia, Vietnamese businesses have highly valued prospects in Myanmar where they have invested in about 200 projects.

During his visit to Myanmar last June, Deputy Prime Minister Vuong Dinh Hue said the country could become a strategic market, and suggested Myanmar create favourable conditions and ensure a safe environment for Vietnamese firms to operate.

Hoang Anh Gia Lai Group, the Bank for Investment and Development of Vietnam (BIDV), national flag carrier Vietnam Airlines, Viettel Military Industry and Telecom Group (Viettel) and FastGo, a ride-hailing start-up, are among the Vietnamese businesses to have made investment in Myanmar./.

6. Foreign investors allowed 34 percent holding at Vietnamese airlines

Decree 89/2019/NĐ-CP, revised from Decree 92/2016/NĐ-CP issued in 2016, includes regulations relating to conditional business lines in the fields of air transport and general aviation activities.

The decree also requires air transport businesses to have at least one Vietnamese individual or a Vietnamese legal entity holding the largest portion of charter capital.

In case the Vietnamese legal entity has foreign capital, the foreign capital shall not exceed 49 per cent of the legal entity's charter capital.

According to the Ministry of Transport, which drafted the decree, the foreign investors' new ownership cap does not only ensure the attraction of foreign investment capital into enterprises but also the interests of domestic investors.

With the goal of reducing and simplifying business conditions and creating favourable conditions for investors to access the aviation market, the new decree regulates that an air transport business operating 10 aircraft or fewer will need to have a minimum capital, including ownership capital and loan, of VNĐ300 billion (US\$12.9 million).

Businesses operating from 11 to 30 aircraft will need minimum capital of VNĐ600 billion, while those with more than 30 aircraft will be VNĐ700 billion.

In terms of airport service, the minimum capital for businesses is VNĐ100 billion, in which the foreign investor's ownership will not exceed 30 per cent of the charter capital.

The decree will come into effect on January 1, 2020. — VNS

Corporate News

7. KDC: BOD resolution on the cash dividend for 2018

↑ 0.60%

On November 18, 2019, the Board of Directors of KIDO Group Corporation approved to pay cash dividend for 2018 as follows:

- Record date: December 02, 2019
- Exercise ratio: 10% (1,000 dong/share)
- Payment date: December 13, 2019.

8. GMC: Notice of Public Offering

↑ 2.80%

Garmex Saigon Corporation announced the information on the public offering as follows:

1. Stock name: Garmex Saigon Corporation
2. Stock type: common share
3. Par value: VND10,000/share
4. Registered offering volume: 8,916,157 shares
5. Capital mount need to be mobilized: VND 133,742,355,000
6. Purpose of capital mobilization: to raise charter capital to supplement working capital.
7. Offering price: VND15,000/share
8. Exercise ratio: 2:1 (shareholder who owns 01 share will receive 01 right, and with every 02 right will be entitled to purchase 01 new share).
9. How to deal with fractional shares: The number of newly issued shares bought by each existing shareholder will be rounded down. The fractional shares will be cancelled and the shares refused to buy (if any) will be decided by the Board of Directors.
10. For example: At the record date, the shareholder A owns 1,003 shares. With 2:1 performing ratio, the shareholder A will purchase: $1,003 \times \frac{1}{2} = 501.5$ shares. According to rounding policy, the shareholder A purchases 501 new shares. The fractional shares of 0.5 will be cancelled.
11. Shareholders whose shares have been deposited: at the securities firms where shares have been deposited.
12. Shareholders whose shares have not been deposited: at the office of Garmex Saigon Corporation.
13. Bank for blocking depository money:
14. Account holder: Garmex Saigon Corporation
15. Account number: 007 100 1087333
16. Bank: Joint Stock Commercial Bank For Foreign Trade Of Viet Nam – Hochiminh Branch.
17. Minimum subscription quantity: 01 share
18. Time for rights transference: from December 10, 2019 to December 26, 2019
19. Time for subscription and payment: from December 10, 2019 to December 30, 2019
20. Place of subscription and receipt of prospectus

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