VIETNAM DAILY NEWS

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Market Analysis

1. Steep bluechip falls strike main index

Despite strong bottom fishing just ahead of the close of the session today, November 28, the VN-Index plunged by 7.78 points, triggered by the steep declines of bluechip shares.

With losers outnumbering gainers by 219 to 101, the VN-Index of the Hochiminh Stock Exchange fell 0.8% against the previous session to close at 970.39 points. Trade volume inched down 3% at 191.2 million shares, but value improved 16% at VND4.2 trillion. Some 36.8 million shares were traded in block deals with a total value of VND911.5 billion.

As for the bluechips, dairy firm VNM, steelmaker HPG, lender STB, securities firm SSI and sugar firm SBT closed at their reference prices.

Meanwhile, heavy selling hit mobile phone retailer MWG, construction firm CTD, lender HDB, consumer goods company MSN, lender MBB and tech firm FPT.

In addition, lender VCB, jewelry firm PNJ and retailer VRE underperformed, with respective falls of 1.2%, 1.3% and 1.5%.

Construction firm ROS still led the market by liquidity with some 35 million shares transacted, but fell 0.6% at VND24,850, followed by property developer FLC with over 8.8 million shares changing hands.

Many speculative stocks attracted huge amounts of cash on the HCMC market, including industrial firm HHS, financial firm FIT, mining firm HCD and agricultural material company TSC. These stocks shot up to their ceiling prices.

The Hanoi Stock Exchange remained gloomy as the HNX-Index closed down 0.89 point at 102.34. Many large-cap stocks were the major drags on the index.

Apart from the fall of lender ACB, industrial firm VCS, gas firm PVS, securities firm MBS and lender SHB shed 3.6%, 2.3%, 3.8% and 1.6%, respectively.

SHB was the most actively traded stock on the Hanoi bourse with over 1.9 million shares changing hands.

Foreign investors net bought VND49 billion of shares on the HCMC exchange, but net sold VND1 billion on the Hanoi bourse..

Macro & Policies

2. Hanoi's industrial production up 8.2% in Jan-Nov

Hanoi`s Index of Industrial Production (IIP) in November expanded 0.7% month-on-month and 9.8% year-on-year, leading to an increase of 8.2% year-on-year for the January-November period, according to the Hanoi Statistics Office.

In November, the mining industry's output saw decreases of 12.1% month-on-month and 24% year-on-year, while the manufacturing and processing industry tacked on 1% and 9.9%, respectively.

Production and distribution of electricity and hot water was down 3.2% month-on-month but up 10.5% year-on-year, while water supply, sewage treatment and water collection rose 10.1% inter-annually.

For the eleven-month period, the mining industry growth declined by 21.9% year-on-year while manufacturing and processing was up 8.3%, production and distribution of electricity and hot water up 9.2%, and water supply, sewage treatment and water collection up 8%.

Some of the industrial subsectors that registered remarkable growth during the January-November period were food processing with an increase of 126.2% year-on-year, wood and bamboo processing with 114.8%, electronic products, computers, and optical devices with 145.8%.

Surge in pork prices leads to higher CPI

Hanoi's consumer price index (CPI) expanded 0.75% month-on-month, resulting in an increase of 4% against last December and 3.68% year-on-year.

As a result, the average CPI of the first 11 months in 2019 grew 3.64% year-on-year.

The statistics revealed eight out of 11 commodity groups, which are components of the basket for CPI calculation, witnessed monthly increases in prices, with food and catering services posting the highest increase of 2.34%, mainly due to a surge in pork prices by 17.07% month-on-month from the impact of the African swine fever.

Total retail sales of consumer goods and services inHanoi in November is estimated at VND256.7 trillion (US$11.06 billion), up 2.5% month-on-month and 9.7% year-on-year. This resulted in a total of VND2,544.3 trillion (US$109.65 billion) betweeen January and November, up 10.6% year-on-year.

3. Modern pharma grows more colourful

Matsumotokiyoshi has agreed to form a joint venture with Lotus Food Group JSC to operate a drugstore chain under the name MatsuKiyo in Vietnam. The move is part of its broad plan to step up its operations outside Japan and tap into Vietnam's strong demand for Japanese cosmetics and supplements.

The drugstore operator said in a statement that it will sign the joint venture agreement later this month to establish Matsumotokiyoshi Vietnam JSC in Ho Chi Minh City. The two companies inked a basic agreement on joint store operation in July but have not yet disclosed the location and timing of a first store opening in the Southeast Asian nation.

With the investment capital of VND31.5 billion ($1.36 million), the company is 51 per cent owned by Matsumotokiyoshi, 48.87 per cent by Lotus Food Group, and 0.13 per cent by Le Van May, president and CEO of the local partner.

Established in 1932, Matsumotokiyoshi is a famous Japanese drugstore chain that boasts a massive selection of goods, including medicine, makeup, cosmetics, oral hygiene products, and supplements, among others. Besides over 1,600 stores at home, the Japanese company has also launched store networks in Thailand and Taiwan.

In the face of the shrinking drugstore market in Japan, Matsumotokiyoshi has been exploring business opportunities in Southeast Asia.

According to a 2018 report from Business Monitor International, Vietnam's healthcare market had a value of $17.4 billion in 2018. At a per capita level, spending is expected to double from $170 in 2017 to $400 in 2027. Meanwhile, the country's pharmaceutical market had estimated revenue of $5.9 billion in 2018, an 11.7 per cent increase on-year, which makes Vietnam the second-largest pharmaceutical market in Southeast Asia.

Market research and business intelligence provider Statista also found that revenue in the domestic cosmetics and personal care market amounted to $1.62 billion in 2018. The market is expected to grow with an annual growth rate of 8.6 per cent between 2018 and 2021.

Matsumotokiyoshi's foray reflects the competitive landscape of Vietnam's health and beauty market where modern pharmacy retail chains such as Pharmacity, Medicare, and Guardian have already secured strong footholds. Pharmacity is now the largest pharmacy retail chain in Vietnam with a plan to extend its network to 1,000 stores by 2021. Medicare was the first beauty, health, and wellbeing retailer in the Vietnamese market in 2001. Meanwhile, Guardian is a retail chain operating under the Dairy Farm Group, a leading pan-Asian retailer.

In January, Watsons, the leading health and beauty brand in Asia and Eastern Europe, also made its official debut with the launch of its first flagship store in Ho Chi Minh City. The retailer has plans to open at least 50 outlets across Vietnam over the next five years to capitalise on the market potential.

Commenting on the move of Matsumotokiyoshi, Ralf Matthaes, managing director of Infocus Mekong said "Like any new modern trade businesses entering Vietnam, competition breeds awareness and usage. Overall this is good for the industry in terms of building brand recognition and ultimately usage. Japanese retailers are not that well known in Vietnam, however, Japan's image and brand association are high and will drive growth of the overall foreign pharmacy and cosmetic industry."

When comparing modern pharmacy outlets with traditional ones, Matthaes noted that the key advantages are threefold. First and foremost is the constancy of product and service delivery. Consumers will be able to access more products and more consistent services and advice from these new pharmacies, as they battle for positioning, market share, and profits.

Second, pricing should become more consistent and, in some respects, cheaper as distribution costs and sales volumes should create savings for consumers. Finally, chains deliver more convenience. Via technology brought in by these new players to facilitate online purchase and prescription order filling, consumers will have easier and faster access to medicine.

However, to attract more consumers, the absolute key lies in building trust. These new chain pharmacies need to develop trust in the consumer's mind, which will largely be driven by the relations they build with consumers over time. Also, these chains need to have a solid footprint of outlets in convenient locations to drive sales.

"Chains like Matsumotokiyoshi need to develop a brand positioning that provides consumers with a reason to believe. In other words, a unique sales proposition in terms of access, product service, and price is needed to win the hearts, minds, and wallets of Vietnamese consumers," he added.

According to Bertrand Sauvageon, vice president at DKSH Business Unit Healthcare, in the last twelve months, the number of modern pharmacy chain outlets – which include local heroes such as Pharmacity, Phano, and Medicare, and multinational champions like Guardian – have increased by more than 75 per cent and the pace is accelerating with a few players who are opening nearly one outlet every other day.

"Modern pharmacy chains still represent roughly 1.5 per cent of the total number of licensed pharmacies, but already hold 5.5 per cent of the total pharmacy channel retail sales value. This share has been growing by more than 1 per cent a year in the last two years and is expected to grow faster in the coming years," he said.

Sauvageon added that the overall volume of imported medicines is growing by a high single-digit percentage while modern pharmacy chain sales are growing twice as fast as in independent pharmacies. However, this overall strong growth is hiding a very distinctive dynamic of pharmacy chains, with many having difficulties to grow sales per established outlet. Moreover, few top players experience both a double-digit growth of sales in their established outlets and incremental growth from rapidly opening new stores.

4. ASF rocks meat industry

Over recent days, consumers have been clamouring over news that African swine fever (ASF) has been found in some pig farms of leading farming business Mavin Group JSC, an Australian-invested enterprise operating in Vietnam since 2004. Despite the company's strict disease control protocols, the virus still found its way to its farms.

At a meeting with the Ministry of Agriculture and Rural Development (MARD) last week, Dao Manh Luong, CEO of Mavin Group, did not deny the rumours and said the company was still carrying out inspections to discover how the issue occurred. "We will cull all infected pigs," said Luong.

Previously, local media reported that farrmer Ha Quang Dao from the northern province of Phu Tho said that of the 400 baby pigs that he had bought from Mavin for more than VND1.6 million ($70) each on November 6, almost all have died since from ASF.

Business backed into corner

In addition to Mavin, numerous businesses have been suffering from ASF. Nguyen Nhu So, chairman of Dabaco Group, confirmed at the meeting that the group has culled 20,000 pigs from its herds because of the virus.

Elsewhere, according to a VIR source, domestic giant Masan Group has put its entire farm and feed chains on sale, retaining only the Meat Deli factory. Masan owns a farm that can house 5,000 sows in the central province of Nghe An, but is currently almost empty because of ASF. This forces Masan to buy pigs from other companies like Japfa Comfeed Vietnam Ltd., and C.P. Vietnam. The company temporarily closed a production factory for several months to decontaminate it.

Masan's feed production arm, Agriculture Nutrition Corporation (Anco) made a loss of VND139 billion ($6 million) in the first half of the year. Masan Meatlife currently holds 100 per cent of Anco.

In July, the United States-based animal feed production Cargill closed its animal-feed mills in China partly because of the devastation wrought by ASF that has reduced demand. "This is not a six-month trend for China," Chuck Warta, president of Cargill's Animal Nutrition and Pre-mix Business, said. "This is a 24-month, 36-month kind of resetting of the world's population of animals."

Cargill closed three feed and animal-nutrition plants in the second half of the fiscal year that ended on May 31, which is a reduction of approximately 150,000 metric tonnes in capacity. In Vietnam, Cargill is rumoured to be closing a feed factory in the northern province of Ha Nam while De Heus is also rolling down the curtains on its facility in the same province.

Adjusting supply

Since being first detected in Vietnam in February, ASF has been found in 8,296 wards in 660 districts of all 63 cities and provinces across the country, and about 5.7 million pigs, or 327,000 tonnes, have been culled.

The market has been struggling with ASF, causing fluctuations in the price of live pigs and pork. Two weeks ago, the price of live pigs from household farms in the north reached a record of VND80,000 ($3.45) per kilogramme, by an almost 170 per cent increase from that in May.

As of November 20, prices were stable in the northern and central regions, with the maximum price of VND78,000 ($3.40) per kilogramme. However, the lack of supply to re-populate farms still threatens price stability.

Meanwhile, prices in the south still increased by an average of VND3,000-5,000 per kilogramme, with the peak remaining below that of the northern and central regions. The prices of live pigs from farms working as outsourcing facilities for large groups remained below VND70,000 ($3) per kilogramme.

The price of pigs is expected to increase even further as the supply from industrial farms is falling while small-scale farmers are running out of stock, without moves being made to rebuild their herds.

Nguyen Xuan Duong, acting director of the MARD's Livestock Production Department, explained that it is not because of the current shortage of live pigs and pork that prices hit a record. "The majority of market information are only figures from individual provinces and do not provide a full overview of the entire market. Besides that, large-scale traders and small-scale livestock households hoard pigs and wait for prices to go higher when the market is cornered."

Soaring live pig prices have also escalated the price of pork, which now hovers between VND110,000 ($4.80) and VND130,000 ($5.65) per kilogramme at markets in Hanoi, by almost 30 per cent increase, depending on the cut. Baby back ribs have shot up to VND150,000-160,000 ($6.50-$7) per kilogramme.

Vu Anh Tuan, deputy general director of C.P. Vietnam, said that the company itself does not want the price of live pigs and pork to spiral out of control, as it would destabilise the market and lead to unsustainable development. Rising prices would encourage farmers and producers to grow pigs in increasing numbers, even while ASF is raging across the country, prolonging or causing another outbreak of the virus. "In order to address the domestic shortage, local authorities should crack down harder on illegal pig exports to China, which will immediately reduce domestic prices," he said.

In addition, the high price of domestic pigs is also opening the doors for imported meat, greatly affecting the structure of domestic animal husbandry, and increasing the risk of bringing in other viruses.

Tuan warned that China is gathering all kinds of breeding pigs from regional markets. "Thus, if we do not control exports, this could be a source of instability and exacerbate the shortage of pork in the future," he said.

Repopulating herds

Besides this, the representatives of other livestock groups shared that it is necessary to encourage households to re-populate their herds to offset the impacts of ASF. In the long-term, groups will have to build closed manufacturing chains from farm to table in order to decrease the number of intermediaries involved – which would reduce risk factors and prices at the same time.

Do Hoang Long, development and sales manager of Japfa Comfeed said, "The company is increasing the development of poultry farms in the areas where ASF is rampant, including Chuong My district in Hanoi, in order to limit the risk of re-populating herds in the infected area.".

5. GS Energy signs deal to build LNG power plant in Vietnam

Through the collaborative partnership, the two firms will build a megasized LNG power plant with total capacity of 3 gigawatts in the southern region of Vietnam. All electricity generated from this power plant will be provided nationwide via a power purchase agreement with Vietnam's state-run power company Vietnam Electricity.

The memorandum of understanding signing ceremony was attended by GS Energy President Huh Yong-soo and VinaCapital CEO Don Lam, which took place at Grand Hyatt Hotel in Seoul on Thursday.

GS Energy said its experience in the sector of not only the LNG development, but LNG trading and LNG acquisition business, has allowed them to accumulate business know-how of the "LNG value chain."

The company said based on the electricity business operation expertise, it hopes to contribute to solving Vietnam's power shortage-related issues.

“The government's active support including the New Southern Policy has significantly helped us to clinch the latest strategic deal with VitaCapital,” said GS Energy President Huh Yong-soo.

The company also said that it will expand its core businesses, including petrochemistry, resources development and integrated energy supply in overseas markets.

6. Vietnam, RoK agree to co-finance joint research projects

Vietnamese Minister of Science and Technology Chu Ngoc Anh and Minister of Science and ICT of the Republic of Korea (RoK) Choi Kiyoung on November 27 signed an agreement to co-finance research projects from 2019 – 2020.

After a process of assessment and discussion, the two ministries have agreed to co-finance five selected joint research projects, following each country's financial conditions and related regulations.

They also agreed to select four other projects to be financed by the Vietnamese Ministry of Science and Technology and funds from the Republic of Korea.

Earlier the same day, the two ministers discussed several cooperation issues between the two sides. Minister Chu Ngoc Anh asked the Korean side to continue the effective implementation of agreements reached by the two governments, develop programmes for cooperation in studying climate technologies and core technologies for the Fourth Industrial Revolution, and support innovative startups and technology transfer between the two countries.

Anh also expected the RoK to consider building a centre for linking the two nations' laboratories which can be based in Deajeon city, and to continue supporting ODA projects.

Minister Choi Kiyoung said he is delighted to see the two countries' top leaders have paid due attention to collaboration in science and technology. He pledged to do his best to foster cooperation between the two ministries, saying it is likely that the two sides will develop more cooperation programmes in the future as Vietnam is a focus of the RoK's New Southern Policy.

Corporate News

7. PAN: Report on purchasing the treasury shares

↓ -0.35%

The PAN Group Joint Stock Company reports the result of the purchase of treasury shares as follows:

- Stock symbol: PAN
- Number of treasury shares before trading: 59,000 shares
- Number of registered shares to buy: 10,000 shares
- Bought volume: 10,000 shares
- Trading period: from November 05, 2019 to November 25, 2019
- Current treasury shares volume: 69,000 shares
- Average trading price: VND 10,000/share
- Trading method: put through

8. MBB: Decision on the transfer by 28 Corporation

↓ -2.21%

On November 12, 2019, the Chairman of the Board of Directors of Military Commercial Joint Stock Bank (MB) approved the plan for the share transfer of 28 Corporation One Member Limited Liability Company at Military Commercial Joint Stock Bank by trading methods (order-matching or put-through) under the securities regulations.

At present, 28 Corporation One Member Limited Liability Company is holding 11,591,281 shares at MB, of which 1,898,513 dividend shares paid for the period of 2013 – 2017. Therefore, 28 Corporation registered to sell 1,898,513 shares, accounting for 0.08% of MB's charter capital. After the deal, the owning volume of military firms at MB will decrease from 36.62% to 36.54% and not affect the veto.

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