



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares retreat as large-caps vary

Vietnamese shares failed to maintain their rally on Thursday.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange lost 0.24 per cent to close at 958.59 points.

Nearly 266 million shares were traded on the southern bourse, worth VND4.9 trillion (US\$211.7 million).

The VN-Index gained 0.21 per cent on Wednesday.

The large-cap VN30-Index was down 0.13 per cent at 872.07 points with 18 of the 30 largest stocks by market capitalisation and trading liquidity falling.

The VN-Index struggled as pillar stocks came under selling pressure, including Bank for Investment and Development (BID) (-2.2 per cent), Vietcombank (VCB) (-0.6 per cent), PetroVietnam Gas JSC (GAS) (-0.7 per cent), Bao Viet Holdings (BVH) (-1 per cent), Hoa Phat Group (HPG) (-0.6 per cent), Military Bank (MBB) (-0.7 per cent), Vingroup (VIC) (-0.1 per cent) and Mobile World Group (MWG) (-0.5 per cent).

Large-caps that did make gains included Vinhomes (VHM) (+0.6 per cent), Masan Group (MSN) (+2.3 per cent), Vincom Retail (VRE) (+1.5 per cent), Sabeco (SAB) (+0.4 per cent), Novaland (NVL) (+0.7 per cent) and VPBank (VPB) (+1.8 per cent), helping to support the market.

According to Bao Viet Securities Co (BVSC), the VN-Index was forecast to oscillate between 960.7-961.5 points and 953-953.5 points over the next few sessions. With signs of a correction later Thursday, the index could possibly drop to the support zone of 953-953.5 points during the last session of the week.

The market will continue to experience a wild divergence among stock sectors. Stock exposure should be maintained at 30-40 per cent of the portfolio, BVSC said.

Investors with high stock exposure should lower the proportion of short-term positions.

According to Sai Gon-Ha Noi Securities Co (SHS), investors were trading more slowly ahead of the year-end holiday as they wanted to preserve their cash amid a lack of business news.

Foreign investors net bought VND66.31 billion on the HOSE, including Masan Group (MSN) (VND43.02 billion), Hoa Phat Group (HPG) (VND18.15 billion) and Vincom Retail (VRE) (VND11.95 billion).

On the Ha Noi Stock Exchange, the HNX-Index fell 0.59 per cent to end at 102.32 points.

The northern market index had gained a total of 0.57 per cent in the previous two trading days.

Nearly 41 million shares were traded on the northern bourse, worth VND557.4 billion.

## Macro & Policies

### 2. UOB: Vietnam leads ASEAN in fintech funding

Financial technology (fintech) firms offering payment-related solutions have secured the most amount of funding in Vietnam, according to the “Fintech in ASEAN: From Start-up to Scale-up” report released by United Overseas Bank (UOB), PwC, and the Singapore Fintech Association (SFA).

The report also found that Vietnam recorded a sharp increase in overall fintech funding this year, receiving 36 per cent of global funding among ASEAN countries. It received 0.4 per cent of total funding within ASEAN in 2018. The increase was attributable to two large deals: \$300 million into VNPAY and \$100 million into Momo Pay’s Series C fundraising round. Vietnam’s large and underbanked population and high mobile and internet penetration rates were also important drivers to the increase in overall investment in local fintech firms.

The report found that the focus on payment solutions among investors was consistent with economies in the early stages of developing a fintech sector. The increase is also attributable to the government’s move towards the use of mobile payments and its support of the fintech industry through such activities as the Fintech Challenge Vietnam (FCV).

“As a bank that is strongly committed to nurturing the fintech industry in the region, we are happy to see firms in the country, particularly those in the area of payments, attracting increased funding this year,” said Mr. Harry Loh, CEO of UOB Vietnam. “Vietnam’s young and digitally-savvy population make it an attractive market for firms focusing on payment solutions, thus leading to strong investor interest in this area.”

#### Two in five fintech firms plan to expand into ASEAN

Of the fintech firms surveyed for the report, 40 per cent of those based outside of ASEAN have plans to make a foray into the region, with 13 per cent eyeing Vietnam.

This is also evident from the growth in the number of fintech firms in the ASEAN-6 countries,

which increased from 749 to 2,590 over the last five years.

“Expanding into and within one of the world’s most diverse regions is not plain sailing for fintech firms,” said Ms. Janet Young, Head of Group Channels and Digitalization at UOB. “In order to increase their chances of success, it is important for fintech firms to find the right partner to supplement the experience, insights, and connections required to navigate the different regulatory frameworks and operating landscapes across ASEAN.”

#### Stamina, funding and talent enable successful expansion across ASEAN

Businesses were the main target customer segment for fintech firms (79 per cent). Among businesses, financial institutions made up half (50 per cent) of the target segment, followed by corporates (17 per cent) and small and medium-sized enterprises (12 per cent). Consumers and startups made up the rest of the target segment (21 per cent).

In addition to having the required funding, fintech firms that offer business-to-business solutions for financial institutions and corporates need to be resilient. The report found that as most large companies require multi-level approvals across different stakeholders for any new solutions they implement, fintech firms would need to ensure that they are able to meet their operating expenses over the longer waiting period.

The report also found that fintech firms in ASEAN are generally optimistic about their current and future funding needs, with almost half of those surveyed being confident of raising more than \$10 million in their next funding round.

Talent, however, remains a challenge. Fifty-eight per cent of the fintech firms surveyed indicated that a lack of talent inhibited their regional expansion plans.

A total of 139 fintech firms across ASEAN were surveyed for their views on five areas: customer

adoption, regulation, operations, competition from fintechs, and funding. The survey also interviewed more than 20 thought leaders from

the wider fintech community for a first-hand account of the challenges they faced when scaling their business across ASEAN.

### 3. Dong Ky wood village in search of sustainable development

A hub of woodwork carving and production, 70 percent of the furniture produced in Dong Ky is exported to China, while the rest is bound for the domestic market in Vietnam. However, most of its hundreds of production facilities are households of small scale with manual production methods, creating many obstacles for its development and adaptability to new market demand.

Dong Ky, just 45 minutes east of Hanoi, has been changing, with enterprises expanding scale, investing in modern machinery and equipment in production, increasing product quality and productivity. For example, local production establishments are using CNC machines in the rough carving stage, which helps increase labor productivity and product quantity.

The manufacturers are also having to adapt themselves to changing consumer tastes. Apart from traditional designs with sophisticated patterns suitable for the Chinese market, Dong Ky craftsmen are making antique imitation products in European styles.

“It is very complicated for us to produce ancient imitation products, as they require sophisticated

sculptural techniques. Previously we just made the products manually, but now we use machines which help increase the productivity by 10 times; so now we can meet a large number of orders from customers,” said artisan Duong The Ty, a well-known local craftsman.

Enterprises and production facilities in Dong Ky Village have expanded production to include fine art and handicraft items. They have also invested in machines and training to improve carving techniques in order to increase production of exported goods. Additionally, they have enhanced information exchange between artisans and producers and customers around the world through trade fairs and trade promotion programs, and studied the tastes, culture and customs of target markets.

Bold investment and innovation steps in production have opened up new perspectives for Dong Ky craft village. Dong Ky fine art wooden furniture has not only created a sustainable brand but has also taken advantage of favorable conditions for export to foreign markets such as China, Chinese Taipei, Cambodia, Laos and some European countries.

### 4. USAID supports Vietnam in efforts to prevent trade fraud

USAID Trade Facilitation Program Director Claudio Dordi said origin fraud and illegal transshipment will increase the risk that compliant Vietnamese traders will face slower export procedures in the US, as well as higher customs duties. In addition, other countries will also be vigilant over Vietnamese goods.

Dordi said there are various ways to commit trade fraud, such as simple transshipment to Vietnam without physical modification of the product, and exporting disassembled products to Vietnam where simple assembly operations are carried out.

The General Department of Vietnam Customs has pointed out 15 groups of goods at high risk of trade fraud and counterfeiting of certificates of origin (C/O), including garments and textiles; leather, footwear, and handbags; computers; electronics and components; electrical appliances and components; phones and components; aluminum and its products; iron and steel and its products; bicycles, electric bicycles and spare parts; wood and wood products.

#### Tax punishments

To prevent origin fraud and illegal transshipment, businesses will be subject to tax punishment.

Specifically, violators will be subject to retrospective collection of anti-dumping and anti-subsidy taxes. In case of a serious violation, criminal charges may be filed. US customs offices not only look at exporters' records and documents, they also contact agencies that issue the documents for consignments to check their accuracy. Since actual inspection of entire consignments to the US is not feasible, US customs offices apply a risk management mechanism.

To fight against foreign goods carrying made-in-Vietnam labels, the Vietnamese government has taken strong action to ensure the reputation and value of made-in-Vietnam goods.

The prime minister issued Decision 824/QĐ-TTg approving a project for strengthening state management in preventing the evasion of trade remedies and origin fraud.

In addition, the General Department of Vietnam Customs has issued guidance and instructions to all local customs departments to inspect and accurately determine the origin of goods, as well as identify and investigate illegal transshipment.

Many initiatives have also been deployed to increase awareness of these issues among import-export firms and business associations. To complement current efforts, the Ministry of Finance and the Ministry of Industry and Trade have been committed to taking more proactive steps to promote interagency cooperation in inspecting, determining, and identifying the origin

of exported and imported goods once suspicions arise of fraud or illegal transshipment.

### **High fraud risk commodities**

However, customs departments need to identify and analyze import-export statistics and other information sources to determine the list of key commodities at high risk of trade fraud and C/O counterfeiting, strengthen cooperation with domestic and foreign organizations to prevent violations, and promote information through media agencies.

USAID's Vietnam Mission Director Michael Greene said that through the five-year Trade Facilitation Program, USAID is supporting Vietnam in adopting and implementing a risk management approach to customs and specialized inspection agencies, which will strengthen the implementation of the World Trade Organization's Trade Facilitation Agreement, of which both Vietnam and the US are members.

The USAID Trade Facilitation Program is cooperating with the General Department of Vietnam Customs, the Ministry of Industry and Trade, and the Vietnam Chamber of Commerce and Industry to address origin fraud, illegal transshipment, and the evasion of trade remedies. It will also promote and encourage a more effective partnership between government entities and customs departments at both the central and local levels and the business community.

## **5. Vietnam surpasses neighbors in growth of US exports**

### **Plenty of opportunities**

Vietnam has become outstanding in the region due to the US-China trade war's adverse impacts on major exporting countries and their slowing growth. Japan, the Republic of Korea (RoK), Singapore and Chinese Taipei have faced declines in exports to the US in the past nine months, while Vietnam maintained high export growth.

General Department of Vietnam Customs data show that Vietnam's exports to the US remain on the rise. In the first three quarters of this year, the export value reached US\$44.65 billion, up 27.6

percent compared with the same period in 2018. The US continued to be Vietnam's largest export market, accounting for 22.9 percent of total export value.

In order to avoid US taxes on Chinese goods, US businesses are seeking suppliers from other markets, including Vietnam.

John Caplan, head of North American B2B at Alibaba Group, believes there will be major opportunities for Vietnamese businesses to promote exports to the US if they are aware of the real demand of importers from this market.



## Utilizing e-commerce

Mary Tarnowka, Executive Director of the American Chamber of Commerce (AmCham) in Vietnam, expects the US will remain a major export market for Vietnamese businesses in the coming period. However, the US is a highly discerning market with strict requirements. Therefore, to promote sustainable export growth to this market, exporters have to improve their capabilities and take the initiative in cooperation to set up new supply chains.

Tarnowka said that many US companies have sought support from AmCham Vietnam to seek goods suppliers and business opportunities from the Vietnamese market.

To maintain exports at a high level to the US, apart from abiding by strict food safety and environmental protection standards, businesses should use digital channels. According to

Alibaba.com General Manager Zhang Kuo, hundreds of thousands of businesses worldwide are utilizing electronic commerce to access customers, instead of traditional channels that are time-consuming and complicated.

Vu Trung Son, Director of the Vietnam Agarwood Center Joint Stock Company, a successful e-commerce based exporter, said the use of e-commerce has enabled the company to receive about 100 orders from customers around the world each month, with 80 percent resulting in actual transactions.

Alibaba.com General Manager Zhang Kuo: Vietnamese exporters should take advantage of worker skills, product quality and competitive prices to promote exports, especially to the US market, through e-commerce channels, which entail low costs but provide a high level of openness and access.

## 6. Myanmar, a promising market for some Vietnamese goods

According to the Asia-Africa Market Department under the Ministry of Industry and Trade, Vietnam-Myanmar trade reached US\$631.6 million in the first eight months of 2019, up 6.1 percent from the same period in 2018, including US\$471.2 million worth of Vietnamese exports. Vietnam exported more than it imported from Myanmar.

Vietnamese Trade Counselor in Myanmar Vo Thi Ngoc Diep said there is great potential for doing business in Myanmar given its weak and inadequate production capabilities and absence of high technical barriers to imports.

According to Diep, the first Vietnamese products in Myanmar, including such renowned brands as Lioa and Hanvico, are all of high quality, and they have gained the trust of consumers there.

However, many businesses say Myanmar's import and export licensing and customs clearance remain slow, making it difficult for products with a short shelf life, such as foodstuffs. A high percentage of Myanmar citizens are low income earners who cannot afford medium and high quality products.

Diep said businesses need to pay attention to Myanmar's new trade policy, according to which 4,613 HS-coded import products and 3,345 HS-coded export products must be licensed by the Myanmar Ministry of Commerce; some agricultural products from a number of countries including Vietnam are imported into Myanmar without going through the Pest Risk Analysis (PRA); and joint venture companies are allowed to export 22 groups of finished goods with elements manufactured in Myanmar.

According to Myanmar's Consumer Protection Law 2019, businesses must provide labeling descriptions for goods including name, size, and quantity of goods, use and storage instructions, and information about side effects and precaution methods in Burmese and other languages from March 15, 2020.

Dang Hai Nha, Chairman of the Vietnam Business Club in Myanmar (VBCM) said Vietnamese enterprises should access Myanmar's market through local import partners, control selling prices and marketing policies, promote products in Myanmar, share with partners when the MMK/USD exchange rate fluctuates adversely, and control the payment schedule of local import partners.

## Corporate News

### 7. Clients to benefit from Sun Life, TPBank deal: CEO

↑ 0.71%

Sun Life Vietnam and TPBank in November announced a 15-year exclusive bancassurance agreement in Vietnam, affirming a long-term commitment to help clients achieve financial goals utilizing the best banking and insurance solutions. Larry Madge, CEO of Sun Life Vietnam, tells VnExpress about their purposes and plans for this partnership.

*Why did Sun Life Vietnam choose TPBank as an exclusive strategic partner for bancassurance?*

TPBank's impressive business results, together with healthy development orientation, and prestigious market reputation are the main reasons for Sun Life Vietnam to be excited to partner with TPBank. TPBank shares our relentless focus on delivering the best client experience and client solutions. So, we enjoy strong alignment in the coming journey helping clients achieve lifetime financial security and live healthier lives.

*What benefits does this partnership bring to clients?*

Clients will benefit from this partnership by gaining access to a comprehensive range of innovative insurance solutions to complement existing banking offers, in one place.

We will work closely with TPBank to better understand their clients and develop the right products and digital solutions to fit seamlessly into existing TPBank processes so that we are both easy to do business with and proactive.

We will set up a dedicated, professional and well-trained advisor force to offer quality advice, and be available across TPBank offices for the convenience of clients.

*What are Sun Life Vietnam's expectations on the outcome of this strategic partnership?*

The insurance market in Vietnam is full of potential. Currently, insurance penetration is only about 1.5 percent of GDP with less than 10 percent of the population covered. Markets like Thailand are in excess of 3 percent of GDP so the Vietnam market needs to grow much more quickly to enable Vietnamese to access the protection they need.

Together, Sun Life and TPBank will provide opportunities for TPBank's 2.5 million clients to gain the protection that suits them at a time that is right for them. By doing the right thing for clients, we expect very strong sales growth over many years.

*What is Sun Life's strategy, and how will it be reflected in your exclusive partnership with TPBank?*

Sun Life has operations in a number of countries world-wide providing both insurance and asset management solutions; with Asia being our fastest growing market. In all our markets we have a "Client for Life" strategy that puts the needs of our clients at the center of everything we do.

In partnership with one of the country's most prestigious banks focusing on digital banking, we are investing in digital solutions to provide a great client experience, while also investing in data analytics to be proactive in meeting client needs.

We recently increased our focus on helping clients live healthier, which is another area we expect to continue investing in. In this partnership, we will deploy this client focus and expand our impact to help TPBank customers.

*Apart from your business, Sun Life Vietnam is known as one of the most active life-insurance companies in terms of CSR activities. Can you tell us more?*

Our purpose is to help clients achieve lifetime financial security and live healthier lives. This purpose is reflected through our CSR activities, such as "Sun Life Resolution Run" to raise awareness on the importance of an active lifestyle to combat diabetes; "Basketball Hoops at School" to encourage students to build active habits from a young age; "Women with Financial Management" workshops to provide financial knowledge and skills. In addition, H'hen Nie acts as Sun Life Brand Ambassador to spread awareness, knowledge, and skills to millions of people.

*In the past three years, the growth rate of Sun Life Vietnam always topped the average market rate. How come?*

We have been focused on the Client for Life strategy that I discussed earlier and building technology, products, and processes to deliver a great client experience. For distribution, we started in 2013 with Corporate Accounts providing employer paid pension and life products, and in 2015 invested in Agency where we have been building capability with over 50

offices across the country. We are very pleased to now enter bancassurance, and are committed to becoming a top banca insurance partner by working with TPBank.

*What encouraged you to become Sun Life Vietnam CEO?*

I was Senior Vice President and Chief Actuary at Sun Life in Toronto before taking on this role. In that role, I had a chance to interact with the actuaries in all of our countries including Vietnam and got a great understanding of the scope of our global businesses. I was very excited to take on the accountability of CEO for Sun Life Vietnam because here we are building a new business in an environment that is fast-paced and full of opportunity to grow both as a business and personally.

I love the energy and optimism here in Vietnam as well as the friendly people and great food. Deciding to come here was a positive decision for both my family and me.

## 8. Stock market briefs Dec 26, 2019

↓ -0.17%

HCMC – Vietjet (VJC) has inaugurated its flight connecting HCMC and Thailand's coastal destination of Pattaya via U-Tapao International Airport. The airline provides one return flight a week on this route with a duration of one hour and 30 minutes. The flight takes off from HCMC at 1:25 p.m. and arrives in U-tapao at 2:40 p.m. The flight departs from U-tapao at 11:25 a.m. and arrives in HCMC at 12:55 p.m.

HCMC – Refrigeration Electrical Engineering Corporation (REE) is seeking to increase its stake in Vinh Son Song Hinh Hydropower Company to more than 50% by offering to buy 60 million shares of the hydropower firm, raising its ownership to 103.28 million shares. Transactions will take place from now to January 21, 2020.

HCMC – An Binh Commercial Bank expects to achieve VND1.22 trillion in pretax profit this year, a 30% increase from 2018. As of November 30, it had a pretax profit of VND1.1 trillion, deposits of

VND55.2 trillion and outstanding loans of nearly VND71.85 trillion. Its non-performing loans ratio was 1.8% compared to the threshold stipulated by the central bank of less than 3%.

HCMC – FPT Corporation (FPT) and Minh Phu Seafood Corporation (MPC) signed a strategic agreement and digital transformation consultancy contract in HCMC on December 24. Under the agreement, the two enterprises will focus on building a digital transformation roadmap to optimize the latter's operating process, minimize costs and improve production capacity.

HANOI – Vietnam Engine and Agricultural Machinery Corporation will pay a cash dividend for 2018 at the ratio of 38.84%, giving shareholders VND3,884 for every share held. With nearly 1.33 billion shares, it will spend VND5.1 trillion on the dividend. As the largest shareholder of the enterprise with an 88.5% stake, the



Ministry of Industry and Trade will pocket VND4.56 trillion.

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