



VIETNAM DAILY NEWS

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Market Analysis

1. Shares forecast to advance on bottom fishing

Shares could rebound next week following recent sharp falls that have triggered investors to bottom fish, but fluctuations can be expected.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange advanced 0.87 per cent to close Friday at 968.54 points.

An average of 214.7 million shares were traded on the southern bourse during each session last week, worth VND4.1 trillion (US\$177.4 million).

The VN-Index experienced three advancing sessions and two declining sessions before settling at 968.54 points, up by 0.35 per cent from the previous week.

“The VN-Index is forecast to head towards the resistance zone 970-972 points early next week, which will confirm the market trend in the short term,” Bao Viet Securities said in a report.

“The index would possibly experience volatility at this zone. The market continues to face a wide divergence among stock sectors while cash flow is expected to rotate for profit,” it said.

“The index needs to successfully penetrate the resistance zone of around 970-972 points to enter an uptrend and retest a resistance zone of 980-985 points.”

According to Viet Dragon Securities Company (VDSC), Vietnamese shares will expand as investors went fishing for stocks that had been hit hard in previous days.

“The bottoming progress may go to the end and an uptrend is forming. Traders often consider buying on corrections,” VDSC said.

The market gradually became positive thanks to strong growth of banking stocks. The signals of bottom-forming were clear. Investors should increase their proportion of stocks, especially during correction sessions, the company said.

Last week, the Bank for Investment and Development of Viet Nam (BID) and Vietinbank (CTG) both had positive impacts on the market.

In the food and beverage group, Vinamilk (VNM) maintained its rally and acted as a pillar for the market's uptrend last week. Other stocks including brewer Sabeco (SAB), tra fish processor Vinh Hoan Company (VHC) and Vinacafe Bien Hoa Corporation (VCF) also made gains.

Stocks in the “Vin” family performed poorly last week. Vinhomes (VHM), Vingroup (VIC) and Vincom Retail (VRE) all dropped sharply, with VHM having the worst impact on the market.

Regardless, investors were more optimistic about the market's prospects as last week's liquidity improved.

Foreign investors were net buyers of more than VND1 trillion on the HOSE in January.

In the last three years, foreign investors were net buyers of VND2.68 trillion, VND12.25 trillion, and VND1.04 trillion. Normally, foreign investors were active in February and March.

According to Bao Viet Securities Co, this week, stock exposure should be maintained at 30-35 per cent of portfolios. Investors might consider selling stocks at the resistance zone of 969-972 points.

If the market penetrates the resistance zone of 970-972 points, investors may consider raising stock exposure for market corrections, the company said.

Macro & Policies

2. PM's approval sought for new low-cost carrier

The Minister of Planning and Investment has submitted to the Prime Minister the results of an appraisal of the investment policy of the Thien Minh Aviation JSC's Canh Dieu Airlines (Kite Air) project and sought approval for the low-cost carrier's establishment.

Its fleet in the first year of operations will be six ATR72 aircraft (or equivalent) and then 25 by its sixth year, including 15 Airbus320/321 (or equivalent). The project's total capital is VND5.5 trillion (\$237.1 million), of which equity is VND1 trillion (\$43.1 million), or 18 per cent of the total, and borrowed capital VND4.5 trillion (\$194.2 million), or 82 per cent, from Vietcombank's Da Nang branch. It will be based at Chu Lai Airport in central Quang Nam province.

The Ministry of Planning and Investment proposed the Prime Minister assign the Quang Nam Provincial People's Committee to direct Thien Minh Aviation in the investment execution stage, implement the project according to the views of the appraisal agency and relevant ministries, and closely supervise the mobilization of investment capital according to the project's implementation schedule.

3. Air pollution could rip 5 pct off Vietnam GDP

"Prolonged air pollution will lower foreign companies' investment in Vietnam," Miura Nobufumi, chairman of Japanese Chamber of Commerce and Industry (JCCI) in Vietnam, told the forum on Friday.

Lower investment would lead to slower economic growth in the country, he said.

Water pollution is another major concern among overseas investors, with industrial and private discharge increasing river pollution beyond the national safety limit, he stressed.

The Vietnamese government should standardize and tighten environmental regulations as a matter

of urgency, with Japan willing to provide technical assistance, it was added.

Thien Minh Aviation will only be permitted to conduct air transportation business when it satisfies the conditions prescribed in the Law on Vietnam's Civil Aviation, Decree No. 92/2016/ND-CP dated July 1, 2016 from the government stipulating conditional business lines in the aviation sector, and Decree No. 89/2019/ND-CP dated November 15, 2019 amending and supplementing a number of articles in Decree No. 92.

According to Thien Minh Aviation, during the first phase of the project the carrier will provide economy class seating with basic services on six newly-purchased ATR72 aircraft. From the third year onwards, A321/A320 aircraft will be added via leasing or financial leasing.

The carrier hopes to be as successful as the two airlines in the region operating effectively with A320/321 and ATR72 aircraft - Cebu Pacific Airways in the Philippines and Bangkok Airways in Thailand.

of urgency, with Japan willing to provide technical assistance, it was added.

Vietnam's biggest cities Ho Chi Minh and Hanoi last year regularly choked on haze, the air quality index (AQI) of each hitting very unhealthy levels.

Officials blame low air quality in both cities on construction, the growing number of cars and motorcycles and heavy industry, including steel works, cement factories and coal-fired plants.

Vietnam's GDP grew at 7.08 percent in 2018, the highest in a decade, to \$223.9 billion. The country's economic growth reached 7.02 percent last year.

4. Car prices fall as supply rises

Toyota Innova, among the most popular multi-purpose vehicles (MPVs) in Vietnam, saw its price go down 13 percent year-on-year last month to VND771 million (\$33,354).

Industry insiders said the drop of VND100 million (\$4,326) was unprecedented for this model. Innova only reflected a general trend, they added.

Prices of the Toyota Vios sedan and the hatchback Kia Morning fell 13 percent and 12 percent, respectively. In the high-end segment, prices of BMW cars fell 18.5 percent.

Abundant supply is said to be one of the main factors behind the falling prices.

Car imports in the first 11 months last year doubled year-on-year to almost 133,700 units, most of them

from Thailand and Indonesia. Models with the biggest sales, MPV Mitsubishi Xpander and SUV Toyota Fortuner, were all imported.

Tightening credit from banks last year had made it more difficult for buyers, leading to an increase in inventory that had to be reduced by lowering prices. The introduction of new models was another factor.

Vietnam's newest car manufacturer VinFast also intensified competition in the market with its SUVs, sedans and hatchbacks.

Auto sales in Vietnam last year rose 11.6 percent from 2018 to 322,322 units, with 58.8 percent of them locally-assembled, according to the Vietnam Automobile Manufacturers Association.

5. Government backs capital hike plans for four State-owned banks

These four banks are Viet Nam Bank for Agriculture and Rural Development (Agribank), Viet Nam Joint Stock Commercial Bank for Industry and Trade (Vietinbank), Joint Stock Commercial Bank for Foreign Trade of Viet Nam (Vietcombank) and Bank for Investment and Development of Viet Nam (BIDV).

At a recent meeting reviewing last year's performance of Vietinbank, Minh said four State-owned banks have contributed more than VND92 trillion (roughly US\$4 billion) to the State budget in the past five years, of which VND60 trillion was tax and VND32 trillion was dividend payments.

But these banks have not raised charter capital during that period.

Minh said the Government has allowed the banks to increase capital as they need more funds to ensure growth and provide capital to the economy to help maintain the country's high economic growth.

He said Vietinbank could retain profits in 2018 and 2019 to serve the capital hike plan, but profits of

2019 and 2020 need evaluation to be consistent with its business activities.

The Ministry of Finance is revising regulations to report to the Government about the capital hike plan for these banks. Minh said Vietinbank needed to report to the finance ministry about its capital plans based on its 2019-20 growth and business results.

The Governor also said current regulations allow banks with more than 50 per cent of State capital to issue bonds to increase tier 2 capital (supplementary capital) without permission from the central bank.

In 2019, Vietinbank reported profits of nearly VND11.5 trillion (\$496 million), up 26 per cent over its yearly plan and up 83 per cent compared to 2018. By the end of the year, the bank had assets of VND1.24 quadrillion, up 6.5 per cent compared to the previous year, while outstanding loans reached VND952 trillion, up 7.2 per cent.

Total deposits increased 5 per cent to VND892 trillion. Its bad debt ratio was reduced to less than 1.2 per cent from 1.59 per cent in 2018.

Vietinbank targets a 10 per cent growth for pre-tax profit this year on the basis of not raising capital. Total assets, loans and deposits are expected to grow by 6-10 per cent.

However, in 2020, the Governor asked the bank to better control the growth of risky assets, quickly

divest from non-performing investments in the past year and focus more on priority areas. In addition, the bank must reduce at least 30 per cent of the internal bad debt and bad debt at Vietnam Asset Management Company (VAMC).

Vietcombank and BIDV have yet to disclose business results of the whole year of 2019, while BIDV on Wednesday posted a record pre-tax profit of VND10.8 trillion last year.

6. U.S. Furniture Industry Eyes Cambodia as Vietnam's Wages Rise

A shortage of workers in Vietnam -- a huge beneficiary of the U.S. trade war with China -- is getting severe enough that some furniture makers are now scouting Cambodia and Bangladesh for factories, according to one industry chief executive.

Labor rates in Vietnam are rising and workers are getting increasingly scarce, said Clarence Smith, CEO of Haverty Furniture Cos., which uses Asian factories to make its company-branded products.

And even though Asian suppliers continue to source much of the timber they use from the Appalachian region of the U.S., the manufacturing of wood furniture "is not coming back to the United States," Smith said in an interview.

Bringing manufacturing jobs back to the U.S. was one of the Trump administration's stated goals in imposing tariffs on Chinese-made goods.

The Atlanta-based furniture retailer wrestled with supply chain disruptions last year as the manufacturers it buys from fled China and set up operations in Vietnam. Some suppliers stopped making Haverty's top-selling merchandise, forcing

it to find new sources in Vietnam on the fly and causing shortages of some items at its roughly 120 U.S. showrooms.

For now, most of the disruptions are behind them even if the first phase of the U.S.-China trade deal will keep the 25% tariffs on Chinese-made furniture in place, Smith said. Haverty still imports leather and upholstered pieces from China, although it no longer gets any wood furniture from the country.

The factory relocations aren't going to end, he said: "They're already building plants in Cambodia. It's moving just like it's always moved."

Smith compared the shift from China to Vietnam and into other developing Asian countries to U.S. furniture industry's shift to North Carolina from Michigan a century ago. The upholstered furniture industry has seen a recent resurgence in North Carolina, but Smith said it's far cheaper for Asian factories to make wood furniture from logs harvested in the Carolinas than for companies to manufacture the same products in the U.S.

Corporate News

7. TMS: Resolution of General Meeting of Shareholders

↑ 2.17%

On January 08, 2020, Transimex Corporation announces the Resolution of General Meeting of Shareholders as follows:

Approving to pay cash dividend for 2018: 10%
(Record date: December 05, 2019)

Approving to pay remaining stock dividend for 2018: 15%

- Number of shares expected to be issued:
8,230,370 shares

- Total value (based on par value): VND
82,303,700,000

- Issue ratio: 15% (10:1.5) (Shareholder who owns 100 shares will receive 15 new share).

- Time of implementation: expected in Q1.2020 after being approved by the State Securities Commission of Vietnam (SSC)

- Plan to deal with fractional shares: The distributed shares will not be rounded down to dozen, the fractional shares due to rounding down will be cancelled.

3. Approving to register to deposit at the Vietnam Securities Depository (VSD) and list on the Hochiminh Stock Exchange (HOSE) for new shares.

8. HDB: HDB allowed to extend the submission of financial statements

↑ 2.18%

On January 08, 2020, the State Securities Commission issued a document allowing Ho Chi Minh City Development Joint Stock Commercial Bank to extend submission date of financial statements.

- For the quarterly financial statements: within 30 days from the last day of quarter;

- Reviewed semi-annual financial statements: within 60 days from the last day of first six months of fiscal year.

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