



VIETNAM DAILY NEWS

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Market Analysis

1. Stocks rally for second straight day

The local stock market rallied for a second day today, February 12, as several speculative stocks climbed but at a moderate rate.

The VN-Index of the Hochiminh Stock Exchange moved sideways above the reference level before closing at near the intraday low of 937.68 points, up a slight 3.01 points, or 0.32%, against the session earlier. Lender TCB reported nearly 23 million shares were traded in block deals with a total value of VND544.7 billion, thus pushing up the overall turnover of the market by 33% at VND4.2 trillion.

Some of the affiliates of property group FLC rose to their upper limits on high liquidity. ROS shot up to its daily ceiling price of VND9,220 with matching volume of 6.7 million shares while mining firm AMD closed at VND1,870 with 2.6 million shares traded.

Meanwhile, FLC gained just 1.5% at VND4,030 on volume of more than 4.5 million shares. GAB, another affiliate of FLC active in the mining and asset management sectors, jumped 3.1% at VND62,000, even though it came under selloff pressure, having advanced for 17 consecutive sessions.

Banks still led the market by liquidity, with STB remaining the volume leader with 14.7 million shares changing hands. MBB came next with matching volume of 10.9 million shares, followed by CTG with nearly 10.4 million shares.

Bao Viet Securities in a report said the stock market has seen investors remaining in inactive mode since the end of the Lunar New Year holiday because of the Wuhan coronavirus outbreak.

However, the recent sharp falls have led certain investors to search for some of the stocks that had been hit hard. Retail, wholesale, securities, information and technology, oil and gas, banking and rubber production have been the major driving forces in the past two days.

The benchmark VN-Index is seen testing the resistance range of 937 and 943 points in the next session. If successfully penetrating through this range, the index will possibly reach 960 to 965 points in short term. However, it is still too early to say the virus epidemic abates, so investors are advised to be watchful.

“We are leaning toward the possibility that the market will oscillate in the trading range between the supporting range of 920 and 922 and the resistance range of 937 and 943 points,” the brokerage said.

On the Hanoi Stock Exchange, lender ACB soared 8% at VND10,500, driving up the HNX-Index by a massive 3.74 points, or 3.44%, at 108.51. Today marked the biggest single-day rise of the index since July 2018.

Macro & Policies

2. Coronavirus hits FDI firms' production, business

According to a report by the Ministry of Planning and Investment on the influence of the coronavirus on the country's socioeconomic development, among the 50 localities employing Chinese laborers, Bac Ninh has taken the lead with 9,000 laborers, followed by Haiphong City with more than 4,300 people and HCMC with nearly 4,200 people, Nguoi Lao Dong newspaper reported.

Of the total, nearly 5,500 Chinese people have returned to Vietnam for work after the Lunar New Year holiday. Most of them have been quarantined.

However, over 11,000 others will return to Vietnam in the coming weeks.

To ensure the smooth operation of enterprises hiring Chinese laborers, Vietnamese workers must work overtime to complete the jobs of Chinese laborers who have yet to return.

If the epidemic is not brought under control soon, the Vietnamese labor market will be negatively affected. The demand for laborers in the tourism, catering and other sectors will plunge, which may increase unemployment and other social troubles, according to the Ministry of Planning and Investment.

The epidemic has directly affected the agriculture, industry, construction, trade and service sectors. Once enterprises' production is affected, investment in the country will fall.

Due to the impact of the coronavirus, potential investors from China and other countries have postponed their plans to seek investment opportunities in Vietnam.

In addition, the demand for nonessential goods will fall, leading to large inventories and stagnant production.

The lack of input materials for FDI projects triggered by the closure of border crossings with China has hindered the progress of these projects in Vietnam.

The Ministry of Planning and Investment cited complaints from LG Vietnam, claiming that if the coronavirus is not brought under control within the next two weeks, it will face a shortage of input materials for production.

In addition, hundreds of containers of input materials for Samsung are stuck in Lang Son Province. If customs procedures for these containers are not completed soon, Samsung's sales may plunge by 50% this year.

As for Hung Nghiep Formosa Ha Tinh Iron and Steel Co., Ltd, in Ha Tinh Province, besides its inability to import materials from China, thousands of its laborers will not return to work until February 15.

Moreover, Apple aims to increase its exports by 30% this year, but it is dependent on original equipment manufacturers, such as Samsung, Foxconn and LG. Therefore, if these firms' sales dip, Apple's export revenue will also drop. SGT.

3. Transport firms face huge losses from coronavirus outbreak

Director of Vietnam Airlines Duong Tri Thanh said travel demand had sharply dropped in and out of Vietnam. Travel routes to China accounted for 10% of their market with about 70,000 passengers a month so they have faced many difficulties because of the travel ban to and from

China. Even flights that transit through China have also been affected.

If the outbreak lasts until July, they will face a loss of over USD196m. They are searching for solutions to save operational costs and limit losses to ensure good financial results.

Other modes of transports are also in the same situation as people and authorities advised against visiting crowded places. Phan Tuan Linh, director of Quy Nhon Port Company, said the losses in the past month reached millions of USD. Firms have stopped all ships to China and wood chip ships unloading in China were also spending prolonged periods there.

TS Lines said 12-13 ships often went to China every month but after the outbreak, the number of ships to China decreased to seven. Their quantity of goods also dropped to 30% compared to the same period last year. They have to incur losses to maintain operations. If one crew member is sick, the ships will be seized for sterilisation and quarantining and they wouldn't be able to unload anything.

According to Linh, Quy Nhon Port now only opens 20 days a month and received 100,000 tonnes of goods less than the goals set for January. The amount of goods cleared at Quy Nhon Port also dropped by 10-15%.

Phung Thi Ly Ha, a representative of Hanoi Railway Transport JSC, said after the Tet holiday,

they had to cut many trains that have the capacity to carry 6,000 passengers. Trains that run on Hanoi-Lao Cai route were no longer running because of the lack of passengers.

School and university shutdown means tickets to and from Hanoi and HCM City were returned. Saigon Railway Transport JSC incurred VND30bn (USD1.3m) loss and Hanoi Railway Transport JSC incurred VND13bn loss.

Dat Cang Transportation Trading and Services JSC Chairman Khuc Huu Thanh Hai said they had been badly affected by the outbreak. In the worst case, they will cut staff and cease operations to limit losses. Do Van Bang, director of Minh Thanh Phat Company, said many tours and festivals had been cancelled so the number of passengers decreased by 70%.

According to Hanoi Railway Transport JSC, trains in the southern region were often 77% full but now, the figure had dropped to 39%. Other trains received even fewer passengers. The companies are struggling to maintain the equipment, vehicles and pay wages.

4. Building an electronics industry with high added value

Heavy reliance on FDI

China is the currently the world's largest electronics exporter, with annual revenue at nearly US\$700 billion, but export growth during the 2010-2018 period averaged at 6% only due to the relocation of manufacturing to nearby countries.

The Republic of Korea was the number two exporter during the said period, although average growth was just 1%, while some countries in the region such as Malaysia posted negative growth. Indonesia and India also witnessed a slowdown in average growth.

In the meantime, the growth of Vietnam's electronics exports during the 2010-2018 period reached 50%, the highest in the world. Vietnam is now the 12th largest electronics exporter in the world and 3rd in ASEAN. Exports of telecoms equipment grew 62% while electronic parts and computers increased by 42% and 19%,

respectively. Consumer appliances and other electronics also posted respective growth of 35% and 39%.

But according to the Ministry of Industry and Trade, such impressive growth was a result of major investment from multinational corporations, especially those from Japan and the Republic of Korea.

In contrast, the capacity of domestic firms in the field remains limited with their quality and appearance having yet to meet the market's high requirements. Many popular domestic companies are slowing down or losing their brands and account for a tiny market share. Despite some emerging names such as BPhone, Vsmart and Viettel, the domestic consumer electronics market is still dominated by foreign brands.

Furthermore, the rate of local content in the electronics industry is fairly low at 5-10%. The majority of electronic products on the market are

imported as completely built units or assembled from imported parts. Local supporting industry companies, albeit taking part in the supply chain, are only able to fulfil low-value and low-technology orders.

Focus on R&D

In order to address the challenges facing Vietnam's electronics industry, experts have recommended formulating a plan to create an electronics industry with higher added value. For now, Vietnamese companies only specialise in assembly and simple processing without any progress in more complex manufacturing processes.

Most Vietnamese companies are reliant on importing main equipment and parts. The country also has no research institutes or experts on machine parts and key technologies. Therefore, Vietnam needs to form research & development (R&D) centres, not only for hardware but also for software.

R&D support policies can be implemented through focusing on software R&D, supporting research cooperation between companies, large firms as well as small and medium-sized enterprises (SMEs). SMEs can create ecosystems and innovation networks through software education and training, and can activate networks and expand specialist forums.

These activities can be initiated by government agencies independently or in cooperation with other agencies. In that way, a sustainable

corporate ecosystem with continuous innovation can be established. The government will play an important role in promoting and creating initiatives, providing technology and management with assistance from universities and experts in the field.

Vietnam's electronics industry needs to change from simple manufacturing and assembly to higher-value manufacturing with a focus on main devices and parts. To realise these plans, the first thing is improving labour productivity through technological innovations. It is also necessary to create the conditions for start-up companies and SMEs to take part in technical innovations because they will be the ones establishing relations with large firms which possess the foundations for further innovation and development. The cooperation policy between large firms and SMEs also needs to be strengthened.

On the other hand, it is necessary to promote products with high added value such as monitors, semiconductors and electronic parts. It will take significant resources as well as 10-20 years to manufacture products with a long lifespan like these, but it will help create high-salary jobs and boost economic growth.

Continuous investment is needed to improve capacity as well as scientific and technological level of the industry. If Vietnam wants to have an electronic industry with high added value, it must have a long-term support strategy.

5. Ministries seek new export markets for farm produce

Authorities in China's Guangxi province have decided to extend the closure of border gates and continue to suspend the trading of goods by individuals until the end of February due to the new coronavirus (Covid-19) threat, according to the Consulate General of Vietnam in Guangxi province.

The Ministry of Industry and Trade (MoIT) also said that authorities in Yunnan province have so far released no official information on this issue, but due to the continuing threat of the Covid-19

epidemic, they are likely to make the same decision.

Individual trade at border markets is still the main way of exporting some of Vietnam's farm produce to China, including dragon fruits and watermelons.

Therefore, this decision is expected to have a significant impact on exporting these agricultural products to the neighbouring country, according to the MoIT.

The MoIT and the Ministry of Agriculture and Rural Development (MARD) recently issued warnings about the problem.

The two ministries have proposed local businesses regulate the volume of exported dragon fruits and watermelons via individuals at the border markets and increase exports under contracts.

The batches of agricultural products exported under contracts, including dragon fruits and watermelons, are still allowed to carry out customs procedures as usual, though clearance takes longer due to strict measures for control of the epidemic.

According to reports from provinces sharing a border with China, as of February 9, there were only 173 trucks carrying dragon fruits in Lang Son

province and 152 in Lao Cai province, not much higher than the volume at the end of January.

The MoIT has requested logistics enterprises, especially those with cold storage, to continue supporting agricultural businesses facing difficulties in export to China, including giving priority to farm produce in need of preservation and reducing costs for storage, warehousing, transport, and loading and unloading of goods.

The MoIT has also proposed distribution businesses, trade centres and supermarkets continue to help farmers sell the produce.

Meanwhile, the MoIT and the MARD would continue to find new export markets and partners, including trade offices and commercial counsellors of Vietnam in other countries, promoting consumption of agricultural products./.

6. Investment in Việt Nam-based start-ups grows sharply in 2019: Cento Ventures

In the report 'Southeast Asia Tech Investment in 2019' released early this month, Cento Ventures pointed out that investment in Việt Nam-based start-ups increased most in the region, worth US\$741 million, making up 18 per cent of the country-specific capital deployment, a huge jump over 2018 where it only accounted for four per cent, or \$284 million.

Việt Nam accounted for a much larger share of capital invested as it produced more late-stage companies such as Tiki, VNPAY and Sendo.

For the first time, investment into Vietnamese start-ups exceeded Singapore which accounted for 18 per cent of the capital invested into the region.

The number of deals also increased significantly in Việt Nam. The report revealed that there were 90 deals last year, growing from just 50 in 2018.

The report also reported changes in the landscape of technology investment in Southeast Asia last year.

The total amount invested in tech companies in the region was worth \$7.7 billion, lower than the \$12 billion recorded in 2018.

However, while there were fewer mega-deals, there was a significant increase in smaller venture capital deals. The total amount invested in smaller deals (less than \$50 million invested) set a new record of \$2.4 billion, up from \$1.5 billion in 2018. In comparison, the amount poured in deals worth more than \$50 million was \$5.3 billion in 2019, from \$10.5 billion in 2018.

Indonesia continued to capture the majority of capital invested in Southeast Asia, despite capturing a smaller proportion of the total capital invested, falling from 76 per cent in 2018 to 59 per cent in 2019.

The report pointed out that there was some change to the previous bias of investment toward start-ups based in Indonesia and Singapore, with 2019 showing greater geographical diversification in capital deployed as Việt Nam and Thailand rose to be attractive destinations.

According to the report, while most investment in the region continued to be into diverse digital businesses such as Grab and Gojek and online retailers, 2019 showed some diversification by sector. Interest in emerging sectors such as financial services and payment grew strongly, which when combined received nearly \$1 billion

in new capital. Newer sectors such as healthcare, logistics and education also benefited from increasing investor interest.

“Looking ahead to 2020 we expect these positive trends to continue as the fundamentals of the

region remain positive – a large and rapidly digitising population that demands better online services, combined with many industry sectors adopting new technology to transform their operations,” the report said.

Corporate News

7. Stock market briefs Feb 12, 2020

↑ 1.12%

HCMC – Vietnam International Bank (VIB) earned more than VND8.1 trillion in revenue in 2019, up 33% compared with the previous year. The bank's service revenue doubled 2018's figure to VND3.42 trillion. Meanwhile, provision expenses dropped 7% to VND605 billion as its non-performing loan ratio declined to 1.7% from 2.2%. The bank also repurchased all bad debts it had sold to the Vietnam Asset Management Company.

HCMC – Vincom Retail (VRE) launched nine commercial centers into operation within the last quarter of 2019, including six Vincom Plazas in Cao Lanh, Di An, Cam Pha, Soc Trang, Kon Tum, Bac Kan, and three Vincom+ units in Phu Tho, Ninh Hoa and Nghe An. As of the end of last year, VRE was operating 79 commercial centers across 43 cities and provinces with the retail area of 1.6 million square meters.

HCMC – Digiworld Corporation (DGW) has targeted a net profit of VND202 billion in 2020, up 25.5% against last year. The revenue is expected to rise 20% to VND10.2 trillion this year.

HANOI – SCI Company (S99) has approved a plan to issue VND10.2 million shares in a move to raise its registered capital by 23.83% to VND530 billion. S99 will sell the shares to existing shareholders at a 5-for-21 ratio at VND10,000 each. Of the proceeds, S99 wants to spend VND50 billion on the Nam Lom 2 hydropower project with a total capital of VND629 billion, VND20 billion on the Nam Xe hydropower project with a total investment of VND665 billion, and VND31.5 billion on Nam Lum 1 hydropower project with a total capital of VND276 billion.

8. VCB: An agreement with the company related to a Board member

↑ 0.22%

On February 11, 2020, the Board of Directors of Joint Stock Commercial Bank for Foreign Trade of Viet Nam (Vietcombank) issued Resolution No.53 on the approval for the transaction between Vietcombank and FPT Information System Co.,

Ltd. (the related person is Mr. Truong Gia Binh, Independent Member of the Board of Directors) for the package of “the purchase of auxiliary system maintenance service at DR and DC of Vietcombank”.

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