



VIETNAM DAILY NEWS

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Market Analysis

1. Trading remains quiet amid risk concerns

Brokerage firms and market experts remain pessimistic about market trading this week as investors run out of supportive information while international stocks continue to be weighed down by the novel coronavirus (COVID-19).

On the Ho Chi Minh Stock Exchange, VN-Index lost 0.08 per cent to end Friday at 937.45 points.

The southern market index decreased a total of 0.35 per cent last week.

Nearly 188.7 million shares were traded during each session on the southern bourse last week, valued at VND3.4 trillion (US\$146.2 million).

“The stock market is forecast to continue quiet trading this week or even lose ground due to weak cash flow and a lack of supportive information that could boost investor confidence,” Phan Dung Khanh, investment consultancy director of Maybank Kim Eng Securities, told tinnhanhchungkhoan.vn.

The fears of COVID-19 have clouded prospects for the global economy.

“The COVID-19 virus will cause many economic and human losses. Credit institutions and credit rating agencies have lowered their prospects for economic growth in Asia, China and Viet Nam,” said Le Duc Khanh, director of the market strategy department at PetroVietnam Securities (PSI).

“Viet Nam's Q1 GDP growth in 2020 is likely to decrease by 0.5 - 0.7 per cent. Stimulation programmes and interest rates cuts are necessary but the cash flow pouring in the market will certainly be affected.”

After net buying VND1.7 trillion in January, foreign investors net sold about VND1 trillion in February.

“The stock market will continue to face difficulties in the first half of 2020 and is forecast to move sideways mainly in the area of 940 - 980 points.

Opportunities will only come from well-performing individual stocks,” Khanh said.

According to SSI Securities Corporation's research unit, without the appearance of COVID-19, the global stock market would have prospered thanks to the US-China agreement on a Phase 1 trade deal and foreign capital flows.

“Until mid-January this year, fund managers around the world still remained optimistic with the proportion of stock investment in portfolios reaching 17-month highs. Capital flows into emerging markets continued to increase and so did the net buying momentum of foreign investors in the Vietnamese stock market,” said SSI Research.

“However, global capital streams began to reverse in late January. Worries over COVID-19 virus drastically reduced the growth forecast for East Asian countries, forcing fund managers to change their investment strategies,” the unit said.

Emerging markets in Asia have seen a drop in the money pouring in due to the high level of production and consumption connectivity with China. The value of capital withdrawals from equity funds in these markets, including Viet Nam, in the first week of February rose to a 19-week high.

If the disease was successfully contained in February, along with the less affected demand and production chain, the market could recover, SSI Research said.

“In previous years, the beginning of the year was always a favourable period for the Vietnamese stock market, creating a push for the following months. In 2020, since there is none of this motivation, the stock market will need more time to accumulate. With a lower economic outlook forecast and inadequately-counted damage caused by COVID-19, the quietness in the first quarter may run into the second quarter or even the second half of the year if there are no developments that help change the status quo,” SSI Research said.

In positive news, the European Parliament (EP) officially ratified the EU-Viet Nam Free Trade Agreement (EVFTA) last week. The agreement needs to be approved by Viet Nam's National Assembly in May to come into force.

According to the Ministry of Planning and Investment, the EVFTA and EVIPA agreements are expected to raise Viet Nam's GDP by 4.6 per cent and raise exports to the EU by 42.7 per cent by 2025. The European Commission estimates that EU's GDP will grow by \$29.5 billion and exports to Viet Nam will increase by 29 per cent by 2035.

According to Bao Viet Securities Co, the effective EVFTA Agreement will be a push for economic growth in the medium and long term. The abolition of more than 99 per cent of tariff lines with a roadmap creates favourable conditions for the exports of key goods to the EU market, including textiles, footwear, agriculture, fishery and wood products.

In addition, by joining the EVFTA, Viet Nam can become an attractive investment destination for foreign investors. A large amount of capital from EU businesses could be invested in Viet Nam, helping to improve competitiveness and boost the domestic market, BVSC said.

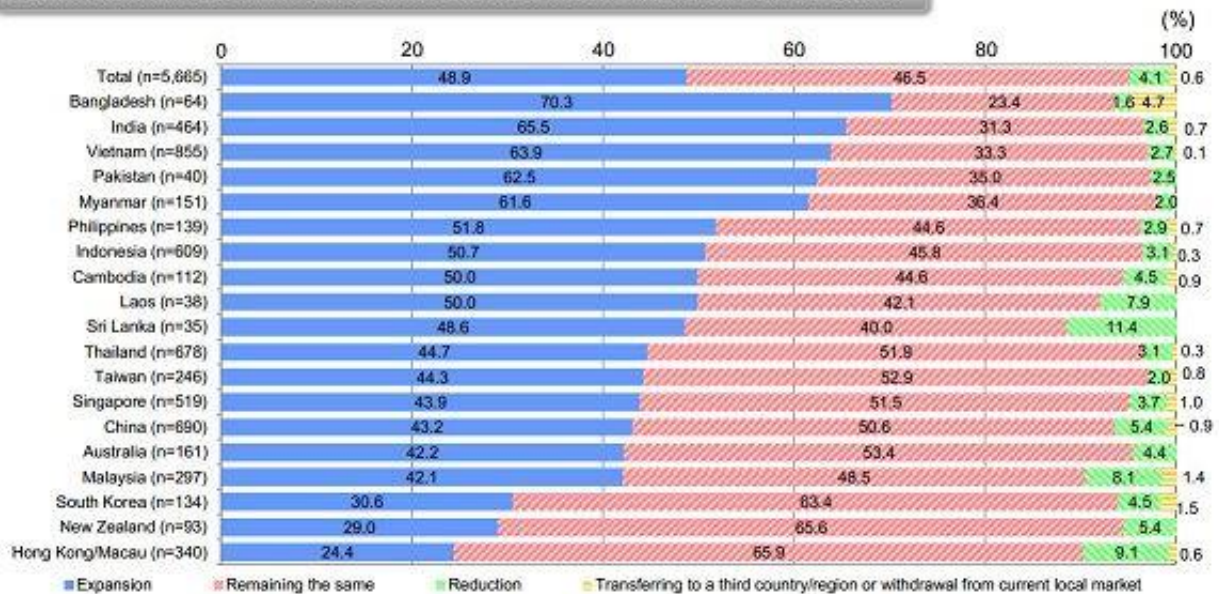
Macro & Policies

2. Japanese firms refrain from investing in Vietnam on global slowdown: Survey

Nearly two thirds (63.9%) of Japanese companies have plans to expand operations in Vietnam in the next one to two years, a survey of the Japan External Trade Organization (JETRO) has shown, down 5.9 percentage points from the previous survey.

Despite a decline, the rate for Vietnam is the highest in Southeast Asia and the third highest in Asia and Oceania, the JETRO Hanoi Office said at a press meeting on Friday.

Approach to future business plan/activities in the next 1 to 2 years (by country/region)

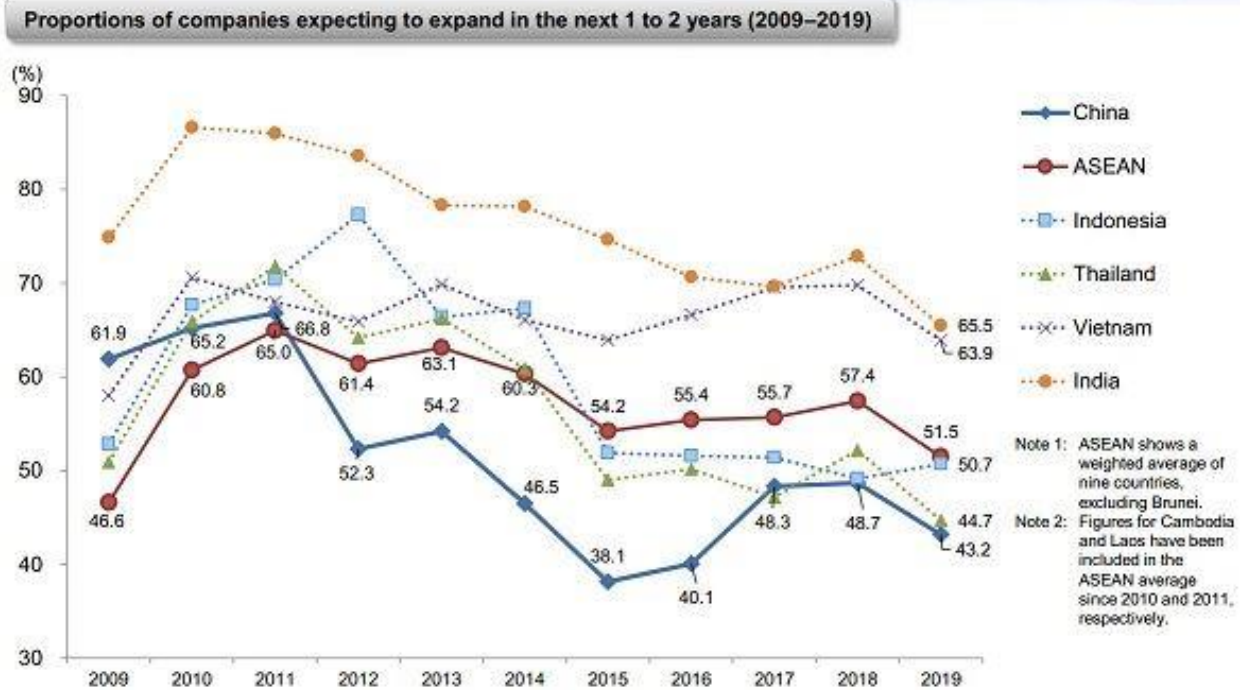


Source: 2019 JETRO survey on business conditions of Japanese companies in Asia and Oceania

expand operations while the rate is inversely proportional to the age of the companies.

Some 75% of companies established between 2016 and 2019 expressed their intention to

One third (33.3%) of the respondents said they have no expansion plan in the short term while 2.7% planned to scale back operations, up 1.8 percentage points from last year's survey.



Source: 2019 JETRO survey on business conditions of Japanese companies in Asia and Oceania

Explaining the changes at the request of Hanoitimes, Takeo NAKAJIMA, chief representative of the JETRO Hanoi Office, said a global and regional economic slowdown in 2019 discouraged Japanese companies to expand investment in Vietnam. Some Japanese manufacturers in Vietnam rolled back operations because their export markets narrowed.

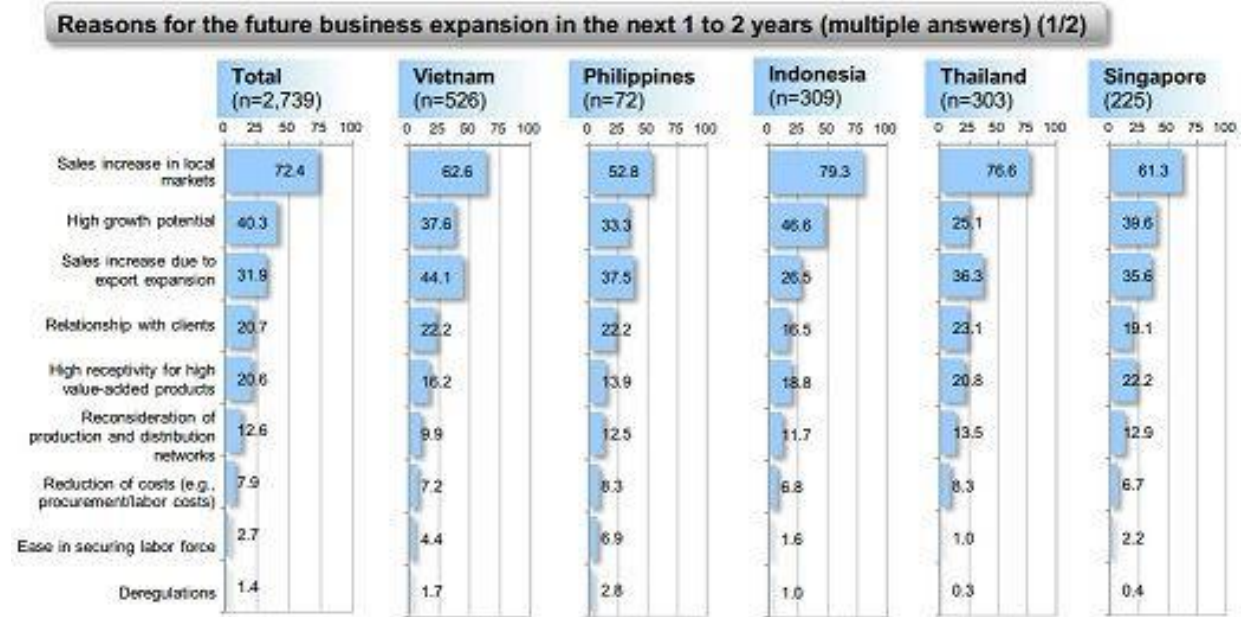
In addition, an increase in value added tax (VAT) by the Japanese government has resulted in lower purchasing demand in the country and in turned

hurt exports of some Japanese companies operating in Vietnam, NAKAJIMA added.

Reasons for future business expansion

The survey points out a spate of top factors behind Japanese businesses' intention to increase investment in Vietnam. They are sales increase in local markets, sales increase due to export expansion, high growth potential, relationship with clients, and high receptivity for high value-added products.

However, at the bottom of their choice were deregulations, ease in securing labor force and reduction of costs.



Source: 2019 JETRO survey on business conditions of Japanese companies in Asia and Oceania

Respondents also said Vietnam's investment environment has many advantages for Japanese businesses, such as size and growth of markets, political and social stability, and ideal living environment for foreigners. These indicators have received more positive feedback from Japanese businesspeople.

Risks persist

The chief representative of JETRO Hanoi also pointed out a number of risks for Japanese enterprises in Vietnam, including rising labor costs, complicated administrative procedures and tax regulations, high rate of employees quitting job, and imperfect legal framework and non-transparent enforcement.

In comparison with regional peers, Vietnam ranks low in terms of non-transparent policy enforcement by local government, and low

development of infrastructure. Meanwhile, Japanese businesses are highly concerned about high rate of employees quitting job, and undeveloped supporting industries.

In addition, Japanese companies are worried about other risks such as unilateral withdrawal of incentives; cumbersome procedures for permit in a wide range of fields such as investment, customs, tax inspection, fire prevention, among others; power shortage; and sluggish infrastructure projects.

To better the investment climate, Japanese enterprises proposed the Vietnamese government remove existing difficulties and obstacles that increase their business costs.

Of a total of 13,458 surveys sent out, JETRO valid responses from 5,697 Japanese companies (42.3%) operating in Asia and Oceania. As many as 858 companies in Vietnam responded, out of 1,608 surveys sent out, representing the highest rate in the region.

3. Binh Phuoc farmers see good cashew crop, but lower prices

Farmers in Binh Phuoc province have begun to harvest their cashew crop and yields are higher than last year because of favourable weather and the efforts of authorities and farmers to prevent diseases.

Last year, many cashew farms in the southeastern province, the country's largest cashew producer, were affected by diseases and had low yields, but authorities and farmers have taken measures to

tend disease-affected orchards this year, enabling them to recover and bear more fruits.

This year, the rate of flowers developing into fruits is in fact high at more than 50 percent in most orchards, according to farmers.

Dieu Thanh, a farmer in Bu Gia Map district's Dak O commune, said the weather this year is much better for cashew trees to fruit than last year.

Last year, inclement weather caused disease outbreaks, making his yield to decline, and his family had to spend dozens of millions of dong on fertiliser and labour to revive the orchard this year, he said.

Most cashew trees flowering this year have a high fruiting rate and harvest has begun, he said.

Dieu Hung, who has a 4ha cashew orchard in Bu Gia Map district's Phu Van commune, said the harvest season this year came a few days after Tet (Lunar New Year) making it convenient for farmers to clean their orchard and do the harvest.

At the beginning of the blossoming season, the province's Agriculture Service Centre organised farming courses for hundreds of cashew farmers.

They were taught techniques to make the trees flower at the same time and how to treat some common diseases.

In the province, Ba Gia Map, Bu Dang and Bu Dopp districts have the largest cashew growing areas.

Nguyen Van Bac, acting director of the Bu Dop District Agriculture Service Centre, said the centre instructs farmers to regularly monitor their cashew farms to promptly discover diseases and pests and control them.

The most common disease is anthracnose, a fungal infection that damages flowers and fruits. Mosquito bugs and the striped mealybug are major pests.

Farmers are having a good harvest, but the price of cashew is currently low.

Traders are buying the nuts on farms at around 28,000 VND (1.2 USD) a kilogramme, down 10,000-12,000 VND from a year ago, farmers said.

The province has more than 130,000ha under cashew, according to its Department of Agriculture and Rural Development.

It is among the crops that have helped farmers escape poverty in recent years.

The province's cashew nut has been granted geographical indication certification.

4. Fisheries sector grapples with impact of COVID-19

The fisheries sector of Vietnam is facing an array of difficulties as the acute respiratory disease caused by the novel coronavirus (COVID-19) has led to contracted exports.

According to the Vietnam Association of Seafood Exporters and Producers (VASEP), aquatic exports in January fell 25 percent from the same period last year to 556 million USD.

Except for shrimp exports which increased by 7 percent year on year to 251 million USD, tra fish shipments nosedived by 64 percent to only 75 million USD. Seafood exports also decreased by 22 percent to 230 million USD, including about 40

million USD worth of tuna (down 30 percent) and 33 million USD worth of squid and octopus (down 50 percent).

Among the key markets, aquatic exports to Japan dropped 20 percent to 98 million USD, the US down 36 percent to 75 million USD, and China (including Hong Kong) – where COVID-19 is raging – down 45 percent to 51.5 million USD.

The only highlight last month was the EU, to which aquatic exports grew 13 percent to 127 million USD.

VASEP Secretary General Truong Dinh Hoe said exports plummeted from the same period last year partly because January coincided with the Lunar New Year holiday, which interrupted export activities for about 10 days.

Additionally, the strong COVID-19 outbreak in China in early February has caused serious impact on multiple fields like transport, tourism, retail, as well as the production and export of aquatic products.

In 2019, China was the largest importer of Vietnamese tra fish with the value of 622.7 million USD, equivalent to 31 percent of total tra fish exports. Thanks to stable export growth, good prices and diverse segments, many domestic processors continue to see China as their strategic market for 2020. Therefore, when Vietnam-China trade is interrupted by the COVID-19 epidemic, tra fish is the hardest-hit commodity, Hoe noted.

Tran Van Hung, Director of the Hung Ca Co. Ltd, said for those companies that have diversified their markets, the discontinuity in tra fish shipments to China only affects part of their operations. However, for those that mainly target the Chinese market, they will suffer heavy losses if the epidemic is not curbed soon.

Compared to tra fish, shrimp products are believed to face fewer impacts as China mainly imports large-sized black tiger shrimp and the shrimp crop already ended.

However, some shrimp exporters said goods previously ordered by Chinese partners now have

to be kept in storage as importers have to delay delivery dates. Meanwhile, demand in the Republic of Korea, the US and the EU show signs of decrease due to fears of COVID-19.

VASEP noted in the most positive scenario that the epidemic is put under control during the first quarter of 2020, aquatic exports to China in the first three months will shrink by at least 40 percent from Q4 of 2019. They will continue recovering in the following quarters and return to normal in the second half of this year.

In case the epidemic lingers, exports to China will plummet, leading to declines in shipments to other markets, and Vietnam's aquatic exports in 2020 may grow by only 3 – 4 percent from last year, the association added.

In this context, VASEP has recommended businesses to keep updated with information from Chinese partners to ship the previously ordered batches immediately when customs clearance is permitted to minimise preservation and storage expenses.

Firms have also been suggested to adjust processing and farming plans to avoid excessive supply of materials.

VASEP is also set to propose the Ministry of Agriculture and Rural Development and the Government issue policies supporting affected businesses and farming households such as by reducing lending interest rates and extending loan payment deadlines.

5. Hai Duong prepares to export fresh lychees to Japan

The northern province of Hai Duong is taking the necessary measures to export fresh lychees to Japan in 2020.

In late 2019, Japan officially announced that it would open the door for Vietnamese lychees following more than five years of negotiations between the Vietnamese Plant Protection Department and the Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF).

After receiving the department's document on requirements for lychees exported to Japan, Hai Duong province's Department of Agriculture and Rural Development asked the People's Committees of Thanh Ha district and Chi Linh city, which grow lychees, to register new regions that grow lychees for export in 2020.

The localities were asked to check plantations that supply lychees to the United States, Australia and the European Union, and finish area codes for regions that meet criteria to export the fruit to Japan in February.

The provincial Plant Protection Sub-department will provide support for exporters and help connect them with lychee growers, and supervise plant quarantine. The department said it has contacted several potential exporters inside and outside the province to start promotions and seek Japanese partners. It is also preparing to provide technical guidance for farmers.

Vietnamese lychees exported to Japan must be grown in gardens supervised and granted area codes by the Plant Protection Department, and comply with Japan's regulations on plant quarantine and food safety.

Exported batches must be packed and treated with Methyl Bromide at facilities recognised by

the Plant Protection Department and the MAFF with the minimum dosage of 32g/m³ for two hours under the supervision of Vietnamese and Japanese plant quarantine officers.

They must be enclosed with a phytosanitary certificate issued by the Plant Protection Department.

Hai Duong province has about 10,000 hectares of lychee mostly in Thanh Ha district and Chi Linh city. In particular, over 300ha of VietGAP certified lychees and over 80 percent of the production area are run under the VietGAP process. Currently, 13 areas covering over 130ha have been granted export codes to the US, Australia, the EU and the Republic of Korea./.

6. Vietnam becomes largest grape importer of RoK

Vietnam surpassed China and Hong Kong to become the largest importer of Korean grapes after the country increased its imports by 34.8 percent in 2019, according to the Ministry of Agriculture, Food and Rural Affairs of the Republic of Korea (RoK).

Shine Muscats grapes have been popular in Vietnam, and purchase of the grapes surged during the Lunar New Year (Tet) holiday. According to head of the Korea Grape Export Association Hwang Eui-chang, 70 percent of Shine Muscats are used for ancestral rites and gifts in Vietnam on the occasion.

First-grade Shine Muscats cost 19,000 KRW (16 USD) per kilogramme, while second-grade fruit is sold at 17,500 KRW (15 USD) for each kilogramme.

Despite their exorbitant price, Shine Muscats is favoured by Vietnamese customers thanks to their delicious taste.

Last year, Korean grape exports reached 23 million USD, a year-on-year surge of 64.2 percent. Shine Muscats accounted for 72.4 percent of all grape exports, followed by Geobong grapes (13.8 percent), and Campbell grapes (13.3 percent).

Meanwhile, the RoK shipped 54 million USD worth of strawberries to foreign countries in the year, up 14.7 percent from 2018, with shipments to Vietnam jumping 90 percent to 7 million USD. Korean strawberries accounted for 99.4 percent of Vietnam's total strawberry imports.

Corporate News

7. FPT targets 18 percent growth in pre-tax profit

↑ 0.37%

FPT Corporation is aiming to earn 32.45 trillion VND (over 1.38 billion USD) in revenue and 5.51 trillion VND in pre-tax profit this year, gaining 17 percent and 18 percent respectively against 2019.

With a digital transformation strategy in place, the corporation expects to maintain its growth momentum from last year, with its technology business acting as a key growth driver, according to its newly-adopted 2020 business plan.

FPT also plans to issue nearly 3.4 million shares, equivalent to 0.5 percent of its charter capital, before June 30. The shares will be non-transferable for 3 years.

In addition, the group has approved raising FPT Software's charter capital to 2.8 trillion VND from 2.4 trillion VND, and FPT Education's to 1 trillion VND from 600 billion VND.

Ending 2019, FPT Corporation reported a pre-tax profit of nearly 4.7 trillion VND (203.3 million USD) on revenue of 27.7 trillion VND (1.19 billion USD), both up around 20 percent.

Earnings per share (EPS) were 4,220 VND, up 19 percent.

The profit margin was slightly up at 16.8 percent compared to 16.6 percent in 2018.

Revenue from the technology business exceeded 15.78 trillion VND, accounting for 57 percent of the corporation's total income and up 17.8 percent year on year, while its pre-tax profit reached more than 1.97 trillion VND, up 29.9 percent.

8. TCT: Board resolutions on borrowing

↑ 2.70%

Tay Ninh Cable Car Tour Company announces the Board resolutions as follows:

Board Resolution No.08 dated February 13, 2020:

- The Board of Directors approved bank loans and to make mortgages with banks for the amount of 89,322,000,000.
- The Board of Directors approved the withdrawal before maturity of the saving books which have the term of 06 months but were deposited within 01 month.

Board Resolution No.09 dated February 13, 2020:

The Board of Directors approved to lend Cat Ba Sun Co., Ltd. as follows:

- Borrower: Cat Ba Sun Co., Ltd.
- Head office: Chan hamlet, Dong Bai commune, Cat Hai district, Hai Phong city)
- Credit limit: VND128 billion
- Loan term: 03 months
- Interest rate: 9.5%/year
- Purpose: to invest in the construction of Cat Hai – Phu Long cable car route.

Research Team: Tsugami Shoji Researcher jsi@japan-sec.vn

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Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn