



VIETNAM DAILY NEWS

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Market Analysis

1. VN stocks slide on market caution, gloomy forecasts

Vietnamese shares edged down on Monday as investors remained cautious despite positive movements in regional markets.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange fell 0.29 per cent to close at 934.77 points.

The VN-Index dropped 0.35 per cent last week.

More than 183 million shares were traded on the southern bourse for nearly VND3.40 trillion (US\$146.3 million).

That included more than 149 million shares exchanged via order-matching transactions, worth VND2.5 trillion.

Liquidity fell from Friday and was below the 20-day average, proving investors were standing back and monitoring the market, Sai Gon-Ha Noi Securities (SHS) said in its daily report.

Real estate, insurance, securities, construction and seafood processing stocks weighed on the market.

The construction sector was dragged down by FLC Faros (ROS), which plunged 7 per cent on speculations that its shares would be removed from the portfolios of foreign exchange-traded funds (ETFs) in the upcoming quarterly review.

Real estate stocks also fell as market regulators and government agencies looked at a new policy to raise the standard of corporate bonds.

Seafood companies' shares also dipped as latest full-year reports showed leading firms had recorded lower profits in 2019.

Textile and garment stocks were hit hard after some securities firms forecast the industry would not benefit from the Europe-Viet Nam trade pact (EVTA) until the end of 2020.

The three sector indices dropped between 1.3 per cent and 1.8 per cent, according to vietstock.vn. They were also among the worst-performing industries on Monday.

On the opposite side, banks, retailers, food and beverage businesses, and pharmaceutical companies helped cushion the market.

Bank stocks boosted the index by 0.8 per cent on expectations local banks would be acquired by European investors following the ratification of the EVFTA.

Poor market sentiment among local stocks surprised analysts because regional markets, especially Chinese stocks, advanced on hopes of stimulus packages, according to VNDirect Securities Corp.

The market was losing gaining momentum as large-cap shares were weakening, the company said in a note. "The VN-Index would continue its slow recovery, which has been ongoing since the beginning of February."

On the Ha Noi Stock Exchange, the HNX-Index slid 0.16 per cent to end at 109.57 points after having soaring 4.60 per cent the previous week.

More than 33 million shares were traded on the northern market for VND366.3 billion.

Macro & Policies

2. Dragon fruit prices soar

Nguyen Quoc Trinh, chairman of Long An Dragon Fruit Association, on February 17 told the Saigon Times that some 10 days ago, the association had worked with the Long An government and the Mekong Delta provinces' and cities' Departments of Industry and Trade to find ways to support dragon fruit farmers.

However, dragon fruit prices in Long An Province have spiked these days, stated Trinh.

“On February 17, traders bought red-fleshed dragon fruit in the province at a price of VND40,000 per kilogram,” Trinh said, expecting the price for exports to China to be at least VND45,000 per kilogram.

Huynh Kim Phung, a representative of the Long Viet Dragon Fruit warehouse in Tien Giang Province, noted that the price of red-fleshed dragon fruit stood at VND35,000 per kilogram on February 17, soaring by up to VND30,000 per kilogram against 10 days ago.

“The price is expected to continue rising in the next few days, depending on the demand,” Phung remarked.

Trinh attributed the price hike to the resumption of trade at border gates and crossings with China.

At a working session between a working team of the Government and the Vinh Long authorities on February 15, a representative of the Ministry of Industry and Trade confirmed that trade at border gates with China had resumed fully.

Regarding the 14-day quarantine imposition on drivers transporting goods to China, Trinh pointed out that instead of Vietnamese drivers crossing the border into China to deliver goods and facing a 14-day quarantine when returning, Chinese drivers are being permitted to drive across the border into Vietnam to receive goods.

3. Vietnam textile firms urged to source from Malaysia, India

This solution, however, is temporary as it will be extremely difficult to replace China as Vietnam's main supplier of raw materials, Hong said.

As Vietnamese firms rely on China for 30-40 per cent of input materials, production would likely be hampered, according to a news agency report.

Experts have warned that though some firms may still have stocked up before the Lunar New Year holidays, the situation could get tricky soon.

The rubber and plastic industries too will face severe shortages as some 80 per cent of Vietnam's

raw materials are imported from China, said president of HCM City's rubber and plastic association, Nguyen Quoc Anh.

If China's industries cannot resume operations by the end of February, firms must start looking to alternative sources, possibly South Korea and the European Union.

Longer transport distances and higher prices, however, would likely result in higher costs and massive disruption to operations.

4. Cement demand to edge up 4-5 percent in 2020

Demand for cement and clinker is expected to rise marginally 4-5 percent to 101-103 million tonnes in 2020, according to the Ministry of Construction.

This includes domestic consumption of 69-70 million tonnes, and exports of 32-34 million tonnes.

Chairman of the Vietnam Cement Association Nguyen Quang Cung said that cement demand expanded at higher pace as compared to the gross domestic product (GDP) growth in previous years.

However, the trend has been reverse in recent times due to a stagnant real estate market as well as slow progress of many infrastructure development projects, he stated.

Cung stated that cement producers will have to face major challenges in 2020, with rising input costs, environmental and technological issues, and increasing wage.

Meanwhile, the Ministry of Construction said that Vietnamese cement would face fierce competition as China and Thailand increase exports. Therefore, domestic firms should study market trends to

adjust their production plans, stabilise cement price, and map out long-term business strategies.

The ministry has asked the Ministry of Industry and Trade to direct the Vietnam National Coal-Mineral Industries Holding Corporation Limited (Vinacomin) to provide sufficient coal, and the Vietnam Electricity to ensure adequate power for cement production activities.

Experts said it is necessary for local firms to renew technologies in order to improve product quality while reducing carbon footprint of the sector.

Currently, many large enterprises are moving to green production by applying technological achievements of the Fourth Industrial Revolution, and saving natural resources.

5. Vietnamese tourist arrivals in Taiwan on the rise

The number of Vietnamese visitors to Taiwan (China) has been growing fast recently, which is partly attributed to Taiwan's preferential visa policy for tourists from the Southeast Asian nation.

Data of the General Statistics Office show that more than 777,000 Vietnamese visited Taiwan between January and November 2019, up 26.5 percent year on year.

The surge was partly driven by Taiwan's preferential visa policy, in which from August 2019, this territory applied visa exemption for 14 days for citizens of Vietnam, some other Southeast Asian countries and India if their previous visas granted by the US, Canada, the UK, the EU, the Schengen Area, the Republic of Korea and Taiwan

remain valid or have only expired within the past 10 years.

For tourist groups, since the beginning of 2019, Taiwan has permitted travel companies licensed by Vietnam's tourism authority to organise tours of this land for groups of at least five visitors without needing to prove their financial solvency.

Besides, the increase of air routes and flights between Vietnam and Taiwan has also greatly helped to facilitate travel between the two sides.

Between January and November last year, Vietnam also recorded a surge of 29.8 percent in Taiwanese arrivals to 927,000. In January 2020, it welcomed over 76,000 tourists from the Chinese territory, up 19.3 percent year on year, according to the General Statistics Office.

6. Fruits container congestion worsens at Vietnam-China border gates

The Ministry of Industry and Trade said that containers carrying dragon fruits, watermelon and jackfruits have kept proceeding to the border gates in the northern provinces of Lang Son and Lao Cai despite advice against doing so.

Although China had opened some border gates with Vietnam last week, trade was slower because there was a shortage of Chinese staff due to the Covid-19 outbreak, the ministry said.

Many of the fruits at these border gates are from southern provinces like Tien Giang and Dong Thap where farmers are harvesting their crops and seeking to sell their produce abroad.

The ministry had cautioned drivers about traffic congestion since several Chinese border gates remain closed and advised them to find other avenues to sell the produce.

Many traders have decided to sell their produce at lower prices in other northern localities instead of waiting for the border gates to reopen.

Fruit container trucks have been standing idle at Vietnam-China border since the Lunar New Year holidays last month due to the outbreak.

China is the largest market for Vietnamese agriculture, forestry and seafood products, accounting for 27.8 percent of the sectors' exports of almost \$8.5 billion last year.

Corporate News

7. Stock market briefs Feb 17, 2020

↑ 0.00%

HCMC – Long Hau Corporation (LHG) said its consolidated net profit fell 14.28% year-on-year to VND36 billion in the fourth quarter of last year. Its revenue jumped 99.6% to VND268.9 billion in the quarter, LHG said in its consolidated quarterly financial report. The firm's gross profit decreased 12.8% to VND60.5 billion in the period.

HCMC – Petrolimex Insurance Corporation (PGI) will spend VND115 billion paying the first dividend of VND1,300 per share for 2019 on the record date of February 25. The company will make the payment on March 6. Currently, Vietnam National Petroleum Group, or Petrolimex, holds 40.95% in PGI while South Korea's largest non-life insurance company Samsung Fire & Marine Insurance Co., Ltd, owns a 20% stake.

HCMC – Foreign investors in January net bought around VND46 billion worth of shares on the market for unlisted public enterprises, or UPCoM. They bought VND419.4 billion worth of shares while selling a total of VND373.3 billion worth in the first month of the year.

HANOI – Vietnam Construction and Import-Export Corporation (VCG) has approved a plan to divest 15.97 million shares, or a 28.02% stake, of Vinaconex Power Development & Construction Investment Company (VCP). Currently, VSD Investment Joint Stock Company holds 10.91% in VCP and Song Da Corporation owns 7.08%. VCP made a consolidated net profit of VND220.8 billion on revenue of VND491.6 billion in 2019, down 6% and 4% against the previous year, respectively.

8. Vietnam Airlines uses wide-bodied aircraft on Hanoi-Ho Chi Minh City route

↓ -2.20%

The national flag carrier Vietnam Airlines began to use wide-bodied aircraft on the route between Hanoi and the southern hub on February 15.

The Vietnam Airlines Group (comprising Vietnam Airlines and Jetstar Pacific) are operating nearly 40 flights each day between the country's two largest cities.

With the use of wide-bodied aircraft on the route, which is the busiest among domestic ones, the airline said it wants to provide flexible schedule and the best possible comfort for passengers.

Also on February 15, domestic carrier Bamboo Airways raised the number of its flights on the

Hanoi-HCM City route to 36 per day as from February 15, compared to 18-20 before February 15.

The wide-bodied Boeing 787-9 Dreamliner is used for flights on the route.

Bamboo Airways ran its first commercial flight in January 2019. As of the end of last year, it served over three million passengers on nearly 20,000 flights.

The airline's representative said the move is designed to better meet passengers' needs.

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