



VIETNAM DAILY NEWS

February 27th, 2020



Table of content

Table of content

1. Shares manage to gain as large-caps return
2. Half of Japanese manufacturers see supply chain disruptions from COVID-19
3. Vietnam trade minister hurries preparation for EVFTA implementation
4. Vietnam-China border markets reopened
5. Companies face closure amid Chinese raw material shortage
6. First two metro trains to be shipped to HCMC this year
7. Vietnam Airlines puts promo tickets on offer
8. Techcombank CEO to leave in 8 months
9. TPB: Board approves a plan for share buyback

Market Analysis

1. Shares manage to gain as large-caps return

VN-Index finished down on Thursday morning but recovered in the afternoon thanks to growth among individual large-cap stocks.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange increased 0.28 per cent to close at 898.44 points.

The VN-Index tumbled 1.51 per cent on Wednesday.

Trading liquidity was modest as investors remained worried about the global economy and the impacts of a potential coronavirus pandemic.

More than 163.2 million shares were traded on the southern bourse, worth VND3.5 trillion (US\$151.4 million).

Positive signs emerged when investors tried to scoop up stocks that fallen since the beginning of the week.

Notable gainers included dairy firm Vinamilk (VNM) (+2.3 per cent), Vietinbank (CTG) (+1.6 per cent), Techcombank (TCB) (+1.8 per cent), National Petroleum Group (PLX) (+2.2 per cent), Mobile World Group (MWG) (+2.1 per cent), Hoa Phat Group (HPG) (+0.9 per cent), Bank for Investment and Development (BID) (+0.2 per cent), VPBank (VPB) (+0.2 per cent), and Novaland (NVL) (+0.2 per cent).

In the opposite direction, majors shares fell, including Vietcombank (VCB) (-1.2 per cent), brewery firm Sabeco (SAB) (-2.1 per cent),

PetroVietnam Gas JSC (GAS) (-1.1 per cent), Vingroup (VIC) (-0.3 per cent), Vietjet (VJC) (-1.8 per cent), and PVPower (POW) (-1 per cent).

According to Bao Viet Securities Co, the VN-Index was expected to hover from 891-895 points and increase during the last trading session of the week thanks to the recovery.

“The index needs to break over 910-point level in order to recover next week. However, if it does, it will face the risk of a downtrend towards the strong and medium-term support zone of 860-870 points,” BVSC said.

The company added that stock exposure should be maintained at 15-25 per cent of portfolios.

“Investors with high stock exposure should take advantage of market rallies to lower their exposure. Investors with high cash proportions should stay outside the market and look for recovery signs,” it said.

Large-cap tracker the VN30-Index was up 0.79 per cent to end Thursday at 848.34 points, with 21 gainers and eight decliners.

On the Ha Noi Stock Exchange, the HNX-Index rose 2.48 per cent to end Thursday at 109.26 points.

The northern market index finished Wednesday down 0.05 per cent.

Nearly 42 million shares were traded on the northern bourse, worth VND459 billion.

Macro & Policies

2. Half of Japanese manufacturers see supply chain disruptions from COVID-19

The survey, conducted between February 13 and 18, featured 426 member companies under the JCCI in Ho Chi Minh City. These included 209 companies from the manufacturing field.

Around 40 per cent of respondents said that supply chain disruptions are affecting their businesses amidst the COVID-19 outbreak. 76 per cent of surveyed participants experienced delays or disruptions in sourcing supplies and materials from China. 53 per cent of Japanese companies in the manufacturing sector and 28 per cent of Japanese non-manufacturing firms have been impacted by supply disruptions.

Specifically, Japanese firms are facing weeks of disruptions to secure input materials, which leads to a dramatic rise of material prices. At present, many firms have yet to be affected by the disruptions, but they predict that the impact will begin to be visible in March. Many firms continue their efforts to balance inventory, find alternative materials and goods supplies, seek new suppliers and change manufacturing locations.

The slowdown of manufacturing activities in Vietnam is attributable to the delayed restart of Chinese manufacturing activities, road closures, and transportation restrictions as well as restrictions on Chinese technical experts.

The impacts on the flow of goods include high transportation costs, delays in goods transport from China, and time-consuming procedures for importing goods under quarantine. These challenges have led to changes in transportation routes of materials and switching to alternative products.

When asked about the impact on their business performance in 2020, half of the respondents were unclear for now. However, about 30 per cent of Japanese firms said their businesses will be affected by COVID-19. Among them, 22 per cent of businesses said their business results will be "least affected" by the outbreak, 7 per cent of businesses expect to be "greatly affected, and 1 per cent are expected to be severely affected.

3. Vietnam trade minister hurries preparation for EVFTA implementation

Minister of Industry and Trade Tran Tuan Anh has urged speedier preparation for the implementation of the EU – Vietnam Free Trade Agreement (EVFTA) after the European Parliament ratified the deal on February 12.

The deal could become effective as early as on July 1 if the National Assembly passes it in the upcoming session in late May or early June.

At a meeting on February 26, Anh expected government agencies to finalize the legal framework for the implementation of the EVFTA as a smooth execution of the deal will be a major boost for Vietnam's economy amid a global slowdown and the ongoing Covid-19 epidemic.

Luong Hoang Thai, director general of the Multilateral Trade Policy Department under the Ministry of Industry and Trade (MoIT), said the ratification by the European Parliament

emphasizes Vietnam's growing political status on the world stage.

Thai said the EVFTA could become effective one month after both sides notify each other the completion of their respective legal procedures.

Thai added for the time being, the MoIT is responsible for laying the legal groundwork for the deal and the government's action plan.

Minister Tran Tuan Anh requested such regulations to create the most favorable conditions for enterprises and reduce administrative procedures. He asked impacts of the deal as well as potential opportunities and advantages for Vietnam be evaluated.

Anh expected the ministry's agencies to soon provide detailed instructions for the business

community regarding challenges that they are about to face when the EVFTA comes into force.

The EU is one of Vietnam's largest trade partners with turnover of US\$56.45 billion in 2019, up 1.11% year-on-year, in which the Southeast Asian country exported goods worth US\$41.54 billion and spent US\$14.9 billion on imports from the EU.

As of 2019, the EU had 2,375 ongoing projects in Vietnam with combined registered capital of US\$25.49 billion, accounting for 7.07% of total projects and 7.03% of the investment value.

A study from Vietnam's Ministry of Planning and Investment suggested the EVFTA and EVIPA would help Vietnam's GDP grow an additional 4.6% and boost the country's exports to the EU by 42.7% by 2025.

Meanwhile, the European Commission estimated the bloc's GDP would be added US\$29.5 billion by 2035, along with additional growth of 29% in exports to Vietnam.

4. Vietnam-China border markets reopened

Border trading activities restarted on February 25 at markets in Hai Yen Ward, Mong Cai City in Quang Ninh Province and the Chinese city of Dongxing in Guangxi following negotiations between authorities of the two countries, the Vietnamese Ministry of Industry and Trade said in a statement on February 26.

Besides this, the time needed to receive customs declarations and supporting documentation will be extended by an hour and a half to 4:30 p.m., or 5:30 p.m. (Beijing time) daily.

Vietnamese goods exporters with commercial contracts for their products can apply for customs clearance. Products such as farm produce, seafood, cashew and cassava powder will be prioritized, according to the competent agencies of the two nations.

Over US\$200 million worth of goods is expected to be ready for customs clearance on February 26.

After 25 days of closure, border markets and crossings linking the two countries have been revitalized.

Earlier, the Bingzsiengz Si Foreign Trade and Economic Committee of China announced the closure of trading activities at border markets in a bid to contain the spread of the coronavirus, which causes a disease called Covid-19.

In related news, the Industry and Trade Ministry recently proposed the Transport and Finance ministries jointly review all taxes and fees and work out measures to reduce transport costs, including BOT tollgate fees and the prices of berth and warehousing services to support businesses affected by the Covid-19.

The Transport Ministry earlier requested transport operators and shipping lines to lower transport and logistics costs for virus-hit firms.

5. Companies face closure amid Chinese raw material shortage

Many companies only have enough to maintain production until March, Truong Thanh Hoai, head of the Ministry of Industry and Trade's Industry Agency, said at a meeting held on Wednesday to discuss how to help affected industries.

China, the country hardest hit by the epidemic, is the largest source of intermediate goods for

Vietnam's industries besides being a leading consumer of their products.

Hoai said textile and garment, footwear and electronics are among the sectors directly affected by the epidemic.

The automobile industry, which imports over 70 percent of components from China, would start

suffering from shortages by the end of the first quarter, he said.

"Many companies only have enough production materials to last until March or early April. After this, if the Covid-19 epidemic continues, they will have to partially or completely halt production."

Earlier this month Truong Van Cam, vice chairman of the Vietnam Textile and Apparel Association, had suggested that many companies would have to be shut down and if the feedstock shortage persists after March.

Nguyen Xuan Duong, chairman of Hung Yen Garment Corporation, told VnExpress his company only has enough to hold out until the end of this month.

Along with the possibility of partners canceling orders due to delayed deliveries, this could cause the company millions of dollars in losses if the epidemic persists until the second quarter.

Le Tien Truong, general director of the Vietnam National Textile and Garment Group, said many of his company's subsidiaries have had to negotiate with partners to delay delivery by two to three weeks due to raw material shortages.

A delay in delivery of half a month could cause losses of \$1.5-2 billion for the textile and garment industry.

The shortages caused by the epidemic in China and South Korea have had an impact on Vietnam's industrial production in the first two months of the year.

Manufacturing only grew by 6.2 percent in the period, a 2-percentage point decrease year-on-year.

Minister of Industry and Trade Tran Tuan Anh has instructed ministry agencies to monitor the situation and make forecasts, besides adopting counter measures, since demand in major markets would also be affected by the epidemic. "We are not pessimistic ... but we must remain proactive."

6. First two metro trains to be shipped to HCMC this year

On February 27, the HCMC People's Council worked with MAUR to speed up work on the big-ticket project, connecting Ben Thanh Market in District 1 and Suoi Tien Theme Park in District 9, *Tuoi Tre Online* newspaper reported.

The trains will be put into trial operation in the third quarter of this year, Thanh stated.

According to MAUR, the project has four main packages. Package CP1a to build a tunnel linking Ben Thanh Market and the Opera House and package CP1b to construct another tunnel between Ba Son and Opera House stations are 81% complete.

Meanwhile, 82% of package CP2 to build an elevated track and depots is complete. In addition,

package CP3 consisting of the purchase and installation of electrical systems, the rolling stock and rail is 54% complete.

The whole project is 71% complete. The target for the project's workload is some 85% this year.

This metro line will have a total of 17 trains, each of them having three cars, which are produced by Japan's Hitachi Group. The remaining trains will arrive in HCMC in phases.

The VND46.3 trillion rail line will stretch 19.7 kilometers, and have 14 stations, with three underground and 11 elevated.

Corporate News

7. Vietnam Airlines puts promo tickets on offer

↑ 1.73%

The national flag carrier is offering promotional tickets at VND199,000 each, exclusive of taxes and fees, for its domestic flights with departures between September 4 and December 26, VietnamPlus news site reported.

Meanwhile, international flights with promotional tickets to Southeast Asia, Northeast Asia and Japan sold on February 29 alone are scheduled to depart from September 4 to December 10.

8. Techcombank CEO to leave in 8 months

↑ 1.73%

Anh has put in his papers expressing a desire to be with his family overseas, the bank said Friday.

The private bank also announced that it has embarked on the search for a new CEO, Vietnamese or foreigner.

The new recruitment is part of the bank's reformation plan, including ensuring smooth succession in the managerial cadre, it said.

Over the next six months, Anh will delegate all day-to-day management decisions to respective business leaders within the bank, as well as assist the board of directors in selecting, interviewing and appointing a new CEO.

His contract with Techcombank will end on September 1.

Anh has Doctorate degree in nuclear technology from Purdue University in Indiana, U.S., and a master's degree from California State University. Before joining Techcombank, he held senior positions at T-Mobile U.S., Wells Fargo Bank, Fortress Investment Group and McKinsey & Company.

He was appointed head of Techcombank's strategy and corporate development division in May 2015 before being promoted to CEO in September 2016.

In Q4 2019, Techcombank's board of directors approved Anh's proposal to implement a banking management model as well as the principles and roadmap to implement it. Under this model, the CEO would delegate business decisions and internal operations to divisional directors to make the decision-making process quicker and more effective.

Most recently, Phung Quang Hung, head of the bank's customer service and advisory division was appointed managing director and director of financial advisory and customer services, responsible for day-to-day internal activities of the bank, starting January 13.

By the end of Q3 2019, Techcombank had created the corporate affairs division led by vice chairman cum deputy CEO Do Tuan Anh to lead all internal and external stakeholder management. At the same time, the bank established a global transaction services (GTS) division, led by Deputy CEO Phan Thanh Son. GTS combined the transaction banking and markets divisions.

Techcombank recorded the second highest profit in Vietnam's banking system last year with a profit before tax of over VND12.8 trillion (\$553 million), a 20 percent plus increase over the previous year. Its profit structure, however, had significant changes compared to the earlier period.

In previous years, the bank was prone to using the seemingly contradictory phrase low risk-high returns in describing its business model, which

stemmed from its special operating structure being associated with an ecosystem of large-scale customers such as Vingroup, Masan and Vietnam Airlines.

By exploiting the customer bases of its large partners, Techcombank could control the risks while still achieving significantly higher profit margins than its competitors. During this period,

the bank's credit growth also heavily depended on its holding of economic organizations' bonds.

In 2019, Techcombank initiated significant changes, promoting its lending channels, especially to retailers, in a move to get out of the shadows of its big partners. The number of bonds held by the bank also sharply decreased towards the end of the year.

9. TPB: Board approves a plan for share buyback

↑ 3.37%

On February 26, 2020, the Board of Directors of Tien Phong Commercial Joint Stock Bank approved a plan for share buyback as follows:

- Maximum number of shares registered to repurchase: 10,000,000 shares (1.17%/charter capital)
- Financial resource: the undistributed profit after tax (in the semi-annual reviewed financial statements until June 30, 2019)

- Trading time: after the State Securities Commission approves the documents of share buyback, expected in Quarter 1/2020 and Quarter 2/2020.

- Trading method: order-matching and put-through.

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

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

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