



# VIETNAM DAILY NEWS

March 16th, 2020



Table of content

## Table of content

1. Stock market volatility expected amid coronavirus next week
2. Việt Nam achieves trade surplus of almost \$2b in two months
3. More than 3,000 business households in Hà Nội dissolved or suspended due to Covid-19
4. Sales at supermarkets surge, wet markets drop
5. Domestic coffee prices edge down in Vietnam on coronavirus fears
6. Covid-19 puts Vietnamese fashion retailers to the test
7. DBC: Board resolution on annual general meeting & dividend payment
8. BVH: Board resolution on the holding of Annual General Meeting 2020

## Market Analysis

### 1. Stock market volatility expected amid coronavirus next week

Even in a rebounding scenario, the VN-Index on the Hochiminh Stock Exchange is expected to experience wild volatility and revisit a support range of 710-740 points next week, according to Bao Viet Securities.

The brokerage said in a daily report that market uncertainties would remain given the coronavirus pandemic and the net-selling pressure from foreign investors.

As of late Saturday, the Vietnamese Ministry of Health reported four more coronavirus infections in Hanoi City, the northern province of Quang Ninh and HCMC, bringing the country's total to 53.

Bao Viet said the benchmark index successfully retested the support zone of 710-740 points on Friday. Stocks have become oversold on a large scale, reinforcing the possibility of a short-term recovery.

The firm added the maturity of March 2020 futures contracts and exchange-traded funds' portfolio review session will take place during the second half of next week. Therefore, the market may suffer strong volatility in the last sessions of the week.

Stock exposure should be maintained at 10-20% of the portfolio. Investors with a high stock proportion may consider lowering their exposure during the rising sessions, said the firm.

It also advised that investors with a high cash proportion should refrain from chasing such rallies and only consider buying stocks within the support zone of 700-740 points with low proportions, prioritizing portfolio-existing positions.

Viet Capital Securities reported that mirroring other Asian markets that traded wildly following Wall Street's biggest drop since 1987, the VN-Index plunged 6% in early trading on Friday before climbing back in the rest of the session to close down by roughly 1% at 761.78 points.

The index ended the week down 14.5%, the largest weekly decline since August 2017. In addition, foreign investors net sold around US\$28 million worth of shares on the southern bourse, the 24th consecutive net-selling session, according to Viet Capital.

Lender BID (-4.6%), the biggest drag, finished the week down more than 25%. Another bank, VCB, fell 1%, becoming one of the day's top decliners. Conversely, STB gained 4.5%, TCB 1.7%, CTG 0.7%, MBB 0.9% and HDB 0.9%.

Gas and oil firms GAS and PLX lost 4% and 5% on Friday, taking their weekly losses to 26.5% and 27.3%.

Financial service provider TCH continued to nosedive.

Other notable decliners included insurer BVH (4.7%), mobile phone retailer MWG (2.8%), and dairy producer VNM (1.8%).

On the positive side, Vietnam's largest private firm VIC and power firm POW were the top two gainers, up 0.8% and 6.1%. Investment firm NLG surged 6.8%, easing off its five-session losing streak.

On the Hanoi Stock Exchange, the HNX-Index lost 0.52% from a day earlier to end Friday at 101.38 points. More than 84 million shares worth around VND831 billion were transacted on the northern bourse that day.

## Macro & Policies

### 2. Việt Nam achieves trade surplus of almost \$2b in two months

Specifically, the country's export value in the first two months rose by 8.4 per cent year on year to US\$39.08 billion, including \$20.85 billion in February, according to the general department's statistics released on Wednesday.

The increase was due to strong export value growth of many products. Of which, the export value surged by 12.2 per cent to \$900 million for phones and components; by 27.4 per cent to \$1.6 billion for the group of computers, electronic products and components; and 25.3 per cent to \$630 million for the group of machinery, equipment, tools and spare parts.

During the first two months, the country imported goods with a total value of \$37.26 billion, up 2.9 per cent over the same period in 2019, including \$18.58 billion in February.

Of which, the imported complete-built-unit (CBU) cars reached 14,523 units with a total value of \$333.3 million. It was down 43.3 per cent in volume and 41.8 per cent in value compared to the first two months of last year.

According to the Ministry of Industry and Trade, Việt Nam could achieve export growth in the future when the Vietnam-EU Free Trade Agreement (EVFTA) comes into effect as expected from July 2020. The EVFTA would open a great

opportunity to penetrate a market with GDP of \$18 trillion.

However, the ministry also noted that the COVID-19 outbreak has brought many difficulties to Việt Nam's trade activities. If the pandemic persists, it would have bad effects on the national export growth goal this year.

Most of Việt Nam's production materials such as garments and electronic components are imported from China, so the pandemic has also seriously affected imports. Việt Nam's agricultural exports via the border gates with China from February faced many difficulties because China has temporarily suspended goods trading of border residents due to the COVID-19 outbreak.

Therefore, the ministry has worked with commodity associations, corporations and foreign invested enterprises to evaluate production and export activities and then has proposed solutions to the Government to remove the difficulties in production and export activities.

In addition, the ministry would issue guidance to implement commitments of the EVFTA. That will create favourable conditions for enterprises to take advantages from this agreement to promote exports.

### 3. More than 3,000 business households in Hà Nội dissolved or suspended due to Covid-19

Information from the Hà Nội Tax Department said that over 1,080 business households were dissolved, and 2,351 households temporarily suspended operations in January and February.

Specifically, there were 13,826 business households generating invoices in January, up 3 per cent over the same period last year, with turnover increasing 5 per cent and tax payment up 4.9 per cent.

However, there were only 4,281 business households generating invoices last month, a

decrease of 57.4 per cent compared to the same period last year, resulting in a decrease of 53.1 per cent in turnover and 50.7 per cent in tax payment.

The reduction is concentrated in the group of accommodation, food and drink and goods trading related to the Chinese market or originated from China.

Assessing the impact of COVID-19 on State budget revenues this year, the tax department said that it managed more than 169,400 taxpayers by the end of last month.

The total revenue from sales of goods and services of large enterprises and economic organisations decreased by six per cent over the same period. The arising value-added tax decreased by 10.5 per cent.

To overcome the impacts of COVID-19 on revenue collection, the tax department has proposed a number of solutions such as following the

directions of the Government, the Prime Minister, the Ministry of Finance and the city in implementing measures to remove difficulties and support taxpayers to cope with the impact of COVID-19.

The department will also well implement administrative reform and electronic tax projects.

#### **4. Sales at supermarkets surge, wet markets drop**

Due to the impact of the COVID-19 pandemic, the demand for essential goods increased.

The number of customers shopping at supermarkets increased over the same period last year. They mainly shop for essential foodstuffs, such as livestock and poultry meat, eggs, instant noodles, and vegetables.

Due to the sudden growing demand, distribution systems have increased stockpiles to meet the needs of shoppers.

The volume of goods stocked for epidemic prevention and control increased by between 30 per cent and 40 per cent.

Supermarkets also promoted e-commerce channels to serve the needs of people when fighting the pandemic.

Because the food prices after the Lunar New Year in supermarkets are stable and lower than in wet markets, the volume of goods sold in the markets decreased by 50-70 per cent with revenue falling 50-80 per cent compared to before the epidemic.

In addition, customers are afraid to go to crowded places, therefore, e-commerce revenue of some businesses increased by 20-30 per cent.

#### **5. Domestic coffee prices edge down in Vietnam on coronavirus fears**

"Farmers have started to release beans as they worry about a cut in their profits after the WHO declared coronavirus a pandemic," said a trader based in the Central Highlands.

"But I think the coronavirus fears will not hit Vietnam's coffee prices hard given the number of cases in the country is still low compared to the world," he added.

Farmers in the Central Highlands, Vietnam's largest coffee-growing area, sold coffee at VND31,100 (\$1.34) per kg versus VND 31,500 last week.

Although demand since the outbreak is not as high as it was, traders, exporters and roasters are still keen on Vietnamese robusta, traders said.

Vietnam exported 173,789 tonnes, or 2,896 60-kg bags, of coffee in February, up 19.8 percent from January, customs data showed on Wednesday.

May robusta coffee settled down \$8 or 0.63 percent, at \$1,271 per tonne on Wednesday.

Traders in Vietnam offered 5 percent black and broken grade 2 robusta at a premium of \$160 per tonne to the January contract on Thursday, compared to last week's range of \$145-\$155.

Meanwhile, traders in Indonesia's Lampung province said Sumatran robusta beans were offered with a \$300-\$350 premium to the May contract while markets await for harvest.

"Trade is still as quiet as last week. Activities may pick up around April and May as the harvest is expected to start then," one of the traders said.

## 6. Covid-19 puts Vietnamese fashion retailers to the test

Similar to the logistics and tourism industries, many enterprises in the textiles and garments industry are facing difficulties and bearing heavy losses as the new coronavirus epidemic is striking hard their operations in domestic and overseas markets.

Looking at garment exports, Nguyen Cong Minh, CEO of Denmoz Corporation, specializing in R&D, and providing solutions in local and foreign fashion markets, told Hanoitimes that the epidemic outbreak last November in China coincided with the production for spring-summer season and most of the materials were fully imported.

However, as their clients in foreign markets have been hit by the epidemic, they will ask for certain support from vendors. “As such, the customers are requesting deferred payment or discount,” he said and adding that even the shipments about to be sent may result in cancellation.

At present, the garment factories are concentrating on production for autumn and winter season orders, however, the manufacturing process is not running at full gear as the end of the epidemic is uncertain. In addition, the Chinese suppliers’ production will take time to be resumed. Garment businesses are expecting tough time ahead if the epidemic lasts until the second quarter in Asia, and together with its spread in European countries, “the damage could be enormous,” Minh predicted.

For Garment 10 Corporation JSC, its revenue in the first two months is estimated to have dropped 10% compared to the plan and the company’s input stock only meets production demand till the end of this month.

Sales in foreign markets are tough but enterprises like H&M, Zara, Canifa, Ivy Moda, Vietbrother, M2, Blue Exchange are also facing problems right in Vietnam. “Revenues of those retailers will be reduced about 40-50%,” Minh said. “Normally the fashion market after Tet holiday is very bleak, coupled with the epidemic, fashion at this time is not an interest of the Vietnamese consumers. These businesses are being hit severely.”

Meanwhile, fashion retailers that have a good online system are better than those that sell primarily in physical stores as the customers avoid or reduce their visits to brick-and-mortar stores due to the epidemic, Minh said.

Other fashion brands seeing a drop of about 20% in revenue are those that are small in size and have low price positioning. Le Thanh Van, founder/CEO of Gumac, owning 80 stores after 4 years of operation, told Hanoitimes that their revenue will fall 25% because the Covid-19 disease causes insufficient material supply for April-May. However, the loss is expected to be insignificant thanks to the availability of products produced before Tet holiday.

“We are looking for alternative raw material providers to the Chinese market. India is a good choice at the moment though the price will be higher,” Lam said. “Although the whole economic sector was affected by the epidemic, we will go on with our plans to expand the system in the third and fourth quarters of this year.”

Gumac targets to double its revenue in 2020, of which online revenue accounts for about 40%, higher than the 5% average portfolio of the whole fashion market.

Similar to Gumac’s stores, another fashion retailer, Hnoss, will cushion the effects of the epidemic thanks to their anticipation. “The material supply is ensured until the end of May,” Co Hue Anh, founder/CEO of Hnoss told Hanoitimes, and revealed that they are finding another input supply to replace the source from China.

From an expert point of view, Minh said that the fashion retailers in general are being hit hard not only because of the epidemic but also because of their business model. “A strategy of focusing on distribution expansion is not right if they don’t invest in building a database of customers, standardizing clothing size system and speed up applying high technology,” he added.

Those, who succeed in the market, will focus more on an omni-channel strategy than offline due to the changing behavior of Vietnamese

shoppers, and increased ownership of smartphones, laptops, and tablet devices, and the

readiness of the market, Minh stressed.

## Corporate News

### 7. DBC: Board resolution on annual general meeting & dividend payment

↓ -1.65%

On March 12, 2020, the Board of Directors of DABACO Group approved the following issues:

Article 1: Approving to implement the dividend payment plans:

1. To issue shares to pay additional dividends for 2018:

- Payment ratio: 5%/par value, or 20:1 (Those own 01 share on the record date will receive 01 right, and with every 20 rights will receive 01 new share)

- Estimated issue volume: 4,554,991 shares

- Par value: VND10,000/share

- Total estimated issue value: VND45,549,910,000

- Financial resource: the undistributed after-tax profit

- Plan to deal with fractional shares: the number of shares distributed to each shareholder will be rounded down to units. The fractional share (if any) will be cancelled.

- Issue date: in Quarter I or II/2020

- Transfer restriction: none

2. To make the dividend payment for 2019:

- Payment ratio: 15%/par value

- Payment method: 5% in cash and 10% in stock

Of which:

5% in cash: VND500 for a share

10% in stock: equivalent to 10:1 (Those own 01 share on the record date will receive 01 right, and with every 10 rights will receive 01 new share)

- Estimated issue volume: 9,109,982 shares

- Par value: VND10,000/share

- Total estimated issue value: VND91,099,820,000

- Financial resource: the undistributed after-tax profit

- Plan to deal with fractional shares: the number of shares distributed to each shareholder will be rounded down to units. The fractional share (if any) will be cancelled.

- Issue date: in Quarter I or II/2020

- Transfer restriction: none

Article 2: Approving a record date to convene the 2020 Annual General Meeting:

- Exercise ratio: 01 share – 01 voting right

- Meeting date: in April 2020

- Meeting venue: will be notified later.

## 8. BVH: Board resolution on the holding of Annual General Meeting 2020

↓ -1.65%

On March 12, the Board of Directors of Bao Viet Holdings approved a plan for convening the 2020 Annual General Meeting of Shareholders as follows:

- Meeting time (estimated): April 28, 2020
- Meeting venue: in Ha Noi.
- Record date: April 01, 2020
- Meeting contents:

Report on business performance in 2019 and business plan for 2020;

Reports on the audited consolidated and separate financial statements in 2019;

Report of the Board of Directors;

Report of the Board of Supervisors;

Report on the remuneration in 2019 and remuneration plan for 2020 for the Board of Directors and Board of Supervisors of Bao Viet Holdings;

Document on profit distribution;

Other issues.

**Research Team:** Tsugami Shoji      Researcher      [jsi@japan-sec.vn](mailto: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](mailto:info@japan-sec.vn)

Website: [www.japan-sec.vn](http://www.japan-sec.vn)