VIETNAM DAILY NEWS

April 21st, 2020

JSI
JAPAN SECURITIES INC.

Table of content

Table of content

Market Analysis

1. VN-Index gaining streak extends to sixth straight session

The VN-Index rose 0.68 percent to 794.97 points Monday, with oil and gas sector stocks proving some of the best performers.

212 stocks gained and 154 lost on the Ho Chi Minh Stock Exchange (HoSE), Vietnam's main bourse on which the VN-Index is based.

Total trading volume, which includes order-matched and put-through transactions, fell slightly over the previous session to VND5.19 trillion ($222.76 million) but was still at a high level compared to previous weeks.

The VN30-Index for HoSE's 30 biggest caps edged up 0.18 percent, with 13 gaining and as many losing.

SAB of major brewer Sabeco continued to lead gains on Monday, rising 7 percent, its ceiling price. The stock seems to be enjoying a resurgence, gaining in 17 of the last 19 sessions. It rose from VND115,500 ($4.95) on March 25 to VND176,900 ($7.59) Monday, a 52 percent gain.

The stock had continuously tumbled since early January, when a new regulation doubling drink driving fines took effect. SAB was trading at VND223,830 ($9.6) per share when the stock market re-opened on January 2 after the New Year break.

PLX of petroleum distributor Petrolimex and POW of electricity generator PetroVietnam power were some of the biggest gainers this session, rising 6 percent and 4 percent respectively. The third blue chip in oil and gas, GAS of energy giant PetroVietnam Gas, also added 1.6 percent this session.

Other major gainers this session included SBT of agricultural firm TTC-Sugar, up 3 percent, MWG of electronics retail chain Mobile World, up 2.8 percent, and HPG of leading steelmaker Hoa Phat Group, up 2.4 percent.

VCB of state-owned banking giant Vietcombank was the only ticker in the banking sector to have gained this session, adding 0.7 percent.

In the opposite direction, tickers of mid-sized banks were some of the big losers, led by VPB of private VPBank and MBB of state-owned Military Bank, both shedding 2.1 percent, and STB of private Sacombank, down 1.8 percent.

CTG of VietinBank and BID of BIDV, two of Vietnam's biggest state-owned lenders by assets, dropped 1.2 percent and 0.8 percent respectively.

Other major losing stocks included MSN of food conglomerate Masan Group, down 2 percent, ROS of real estate developer FLC Faros, 1.5 percent and BVH of insurance giant Bao Viet Group, 1.2 percent.

Meanwhile, the HNX-Index for stocks on the Hanoi Stock Exchange, home to mid and small caps, dropped 0.71 percent, and the UPCoM-Index for stocks on the Unlisted Public Companies Market added 0.92 percent.

Foreign investors were net sellers for the 15th consecutive session on all three bourses for a total of VND407 billion ($17.45 million). Selling pressure for the third consecutive session was mostly focused on VIC of private conglomerate Vingroup, which inched up 0.1 percent, and VNM of dairy giant Vinamilk, which added 0.7 percent this session.

Macro & Policies

2. Two key southern waterways logistics corridors proposed with World Bank funding

The Ministry of Transport has just proposed the prime minister to give the thumbs-up to a project on developing southern waterways and logistics corridors utilising World Bank loans.

The project aims to upgrade the inland waterways transport network in the Mekong Delta region and Ho Chi Minh City and would feature two waterway corridors – the East-West corridor connecting the port complex of the Mekong Delta (and its economic hub Can Tho city), Ho Chi Minh City, Cai Mep, and Thi Vai and the North-South corridor connecting the Binh Duong-Dong Nai-Ho Chi Minh City-Cai Mep-Thi Vai port complex.

The East-West corridor was designed to cross many major local rivers and channels such as Tra On River, Hau River, or Mang Thit Channel which will be upgraded to reach Grade II inland waterways standards (55m wide for channels and 75m wide for rivers) able to receive vessels reaching 1,500 tonnes in gross tonnage and three-layer container ships.

The North-South corridor will also pass through many local rivers such as Dong Nai, Nha Be, or Thi Vai, which will also be upgraded to Grade II inland waterways standards (60m wide for channels and 90m wide for rivers), able to receive vessels of 3,000-5,000 tonnes in gross tonnage and four-layer container ships.

The project will take place across the southern region, including Ho Chi Minh City, Can Tho city, and stakeholder provinces of Vinh Long, Ben Tre, Tien Giang, Long An, Dong Nai, and Ba Ria-Vung Tau.

In addition, the project involves upgrading the two bridges of Tra On and Cho Lach 2, building 16 passenger stopovers (replacing 10 existing ones and building six new ones), installing signs and a vessel transport management system in order to mitigate traffic congestions and facilitate transport.

After completion, the project will help significantly reduce travelling distance and time for ships between the Mekong Delta and Ho Chi Minh City and key ports in the region, from there curtailing transportation costs and ensuring traffic safety.

The total project would require VND5.786 trillion ($251.57 million) in total investment value, of which nearly $158 million would be offset by World Bank loans, $2.99 million would be granted by the Australian government, and the remainder to be provided by Vietnam in counter-funding. The project will be deployed in 2021-2025.

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Earlier in last July, the World Bank approved a credit plan to help four secondary cities in Vietnam build critically-needed municipal infrastructure and strengthen urban planning.

The project aims to increase access to improved urban services for Ky Anh (Ha Tinh province), Tinh Gia (Thanh Hoa province), Hai Duong (Hai Duong province), and Yen Bai (Yen Bai province).

Approximately 200,000 residents are expected to benefit directly from the project.

The project will help reduce flood risks, improve sanitation, reduce travel times on new and improved roads, and develop high-quality public spaces.

These improvements, in turn, are expected to help beneficiaries boost productivity, enable exports, create more jobs, and help generate sustained economic growth.

The total cost of the project is $276.17 million, $194.36 million of which will come from the International Development Association (IDA).

3. Vietnamese brands expected to be a highlight amid COVID-19

Prime Minister Nguyễn Xuân Phúc on 2008 agreed to mark April 20 every year as Việt Nam Brand Day, with an aim to honour and promote the nation's brand and image in the context of international economic integration.

However, the ministry and the National Brand Council decided not to hold the commemorative activities this year due to the COVID-19 pandemic.

Anh in the letter said that the country has maintained high and sustainable economic growth. Last year, Việt Nam achieved impressive GDP growth of 7.02 per cent, surpassing the set target by the National Assembly and bringing the economy scale to more than US$262 billion – the highest level so far.

The achievement was partly attributed by the Vietnamese business community to build brands and reputation for the country's goods and services to the regional and global levels.

However, the novel coronavirus outbreak has had impacts on the global economy in general and Việt Nam in particular, especially production, business, investment and trade activities.

Anh therefore expected that the business community should maintain unity to surpass the difficulties and stabilising production as soon as possible. Meanwhile, they should maintain and protect their brand names, contributing to enhance the Vietnamese trademark in the global supply chain.

The ministry has given support to firms in building, developing and improving their brand names, thus creating momentum for export activities and boosting production after the pandemic.

Many local companies found opportunities amid the COVID-19 pandemic to gradually affirm their brand names both in domestic and global markets.

For example, VNPT e-learning has provided a programme to nearly 12,000 schools nationwide with more than 400,000 teacher accounts and five million student accounts.

Meanwhile, many garment and textile companies, such as Vinatex and TNG, have affirmed their brands with face mask products in the local market and export to other countries.

Though the country now has 97 firms recognised as national brands out of 700,000, the number of such enterprises has been on the rise, showing their increasing interest in the programme.

Last year, the world's leading independent brand valuation consultancy Brand Finance said Việt Nam National Brand was valued at $247 billion.

4. Vietnam garment makers hung out to dry as global orders vanish

Vietnam's textile sector is reeling from a sudden loss of orders that could be catastrophic to many garment makers, with industry leader Vinatex contemplating a furlough of up to 50,000 workers.

If the outbreak's impact persists, many businesses could go under, threatening not only Vietnam's economy but also the global supply chain that has supported such purveyors of fast fashion as Zara and H&M.

"As things stand, 30% to 50% of jobs will disappear by May," said Vinatex CEO Le Tien Truong. The company has 200 or so factories in Vietnam and more than 100,000 workers within the group.

The impact of the novel coronavirus first emerged in February, when procurement of Chinese fabric stalled. When things just began to return to normal in March, the second wave slammed the industry.

Apparel demand has plunged in the U.S. and Europe, where many consumers have been told to stay home. Apparel vendors have canceled old orders and halted new ones.

In Vietnam, cities like Hanoi have banned nonessential travel. Factories are allowed to remain open, but orders are not coming in. Some factories have started producing masks, though they amount to a drop in the bucket in making up for lost business.

Vinatex, which commands a roughly 10% share in Vietnam, is owned in part by the state and 15% by Japanese trading house Itochu. The company counts apparel retailers Zara and H&M as clients.

Orders for textiles and footwear are set to plunge around 70% on the year by value for April and May, according to data from Vietnam's Ministry of Industry and Trade. Vinatex stands to lose 1 trillion dong ($42.4 million), even if the COVID-19 outbreak is brought under control by the end of May. That's nearly twice the 510 billion dong net profit turned in for 2019.

If economic activity remains restricted longer, Vinatex will sink further into the red, putting the survival of many small and midsize factories in doubt.

Even as Vietnam moved to modernize its industry by inviting big-name multinationals like Samsung Electronics, the textiles sector is still a major presence, accounting for around 10% of exports by value in 2019.

The Sino-American trade war prompted companies to move production to Vietnam from China, burnishing the Southeast Asian nation's "next China" image. But now, the pandemic has upended the landscape.

A large percentage of garment workers work near minimum wage. The wage works out to 3 million dong a month in regions with the cheapest labor costs.

Fearing that widespread job losses could lead to social unrest, the Vietnamese government is rolling out a 62 trillion dong aid package for displaced workers and distressed businesses.

Shutting down Vietnamese garment factories threatens to spill over to the global supply chain. The likes of Zara, H&M and Fast Retailing's Uniqlo would have trouble with procurement. The Asian sewing industry has secured an indispensable role in a garment industry that has accelerated its globalization over the past decade.

Textile industry representatives from six Asian countries issued a joint statement April 9 urging clothing brands to fully compensate suppliers when canceling orders. Clients including H&M are keeping to their purchasing contracts for products that have reached the production stage, but a number of apparel companies are requesting extensions on payments for completed orders, according to a Bangladeshi industry group.

Garment industries in developing economies are moving away from child labor, thanks partly to socially responsible investing. Honoring contracts has emerged as the next problem gaining attention. In the electronics industry, purchasers often pay troubled suppliers in advance to support cash flows. The coronavirus crisis is poised to test such partnerships in the apparel sector.

5. Aquatic exports to China shows sign of recovery

Vietnam exported nearly 13 million USD worth of tra fish to China in the first half of March, 1 million USD higher than February's number, a sign of recovery for Vietnamese exports of aquatic products to the neighbouring country.

According to the Vietnam Association of Seafood Exporters and Producers (VASEP), orders of aquatic products, particularly shrimp and tra fish, from China have returned since early April.

It forecast that Vietnam's tra fish exports to China may surge by 40 – 50 percent in the coming months as the latter's efforts to contain the spread of coronavirus prove effective.

The Republic of Korea, another key market for Vietnam, has also made significant progress in containing COVID-19, signalling demand will rebound soon.

VASEP expects that if the pandemic is brought under control in the second quarter of this year, production will return to normal in the second half, which is likely to be a "golden stage" for Vietnam to boost shipments of agricultural products./.

6. Calls for shake-up in rice exporting

Within four days, Pham Thai Binh, general director of Trung An Hi-tech Farming JSC, sent three proposal letters to Prime Minister Nguyen Xuan Phuc about rice exports. In the latest one dated April 16, he asked the PM Phuc to allow 300,000 tonnes of rice congested at ports since March 24 to be exported among the quota for April of 400,000 tonnes.

According to Binh, the lack of transparency in opening customs declarations on April 12 has ensured a huge loss for the domestic rice industry. Many enterprises successfully opened the declaration but have no rice at ports, while there have been 300,000 tonnes of rice congested at such locations since March 24. "If the 300,000 tonnes of rice are kept waiting for export at the ports, Vietnamese rice will continue to lose about VND50 billion ($2.17 million) per day," he wrote.

In an April 15 report, the Vietnam Food Association (VFA) recommended that the local authorities need to cancel the entire declaration of businesses if detecting a situation of no goods at ports or making a false declaration.

Meanwhile, Nguyen Van Can, general director of the General Department of Vietnam Customs (GDVC), said that it is necessary to consider exporting the available rice at ports that suddenly suffered halts in shipment since March 24 under a government order.

According to Can, it is also necessary to study the allocation of rice export quotas on the basis of balancing food security in accordance with the direction of the government.

Vu Tien Loc, chairman of the Vietnam Chamber of Commerce and Industry, suggested the government should advance the rice quota for May to facilitate enterprises with goods at ports to export.Mentioning a document that the Ministry of Finance (MoF) sent to the Ministry of Industry and Trade on April 10, which showed that many firms winning the bid have sent refusal letters or not signed contracts for 160,300 out of 178,000 tonnes of rice serving for reservation, Loc said, "In the long term, it is necessary to take into account the allocation of reasonable quotas, especially the method of auctioning for rice export quotas."

Au Anh Tuan, director of the GDVC's Department of Customs Management Supervision said that among the businesses successfully opening the custom declaration for rice exporting on April 12, there are many winning the bid but not carrying out their commitments. "However, there is no regulation that the winning bidders must sign the contract before exporting," he said.

Binh from Trung An also suggested that the MoF should buy rice for national reserve at a price of VND10,000 (43 US cents) per kg instead of the current VND9,200 (40 US cents). "This is still lower than the lowest price that consumers have paid over the years," he added. "Stopping export of rice to reduce price and buying 190,000 tonnes for reservation at the price of 40 US cents per kg with the aim of benefiting the state budget is a method that makes the country poor, because we have exchanged millions of US dollars for farmers and businesses that win the bid but refuse to supply rice.".

Corporate News

7. Brokerage firm VDSC suffers loss in Q1

↑ 0.00%

In the first quarter of 2019, VDSC made a profit of VNĐ21.15 billion.

The loss was blamed for proprietary trading's poor performance in the January-March period.

On March 31, total book value of VDSC's financial assets was VNĐ474.26 billion, up by VNĐ60 billion from the beginning of the year.

But the total re-value of the assets was nearly VNĐ298 billion, down by 37 per cent from the book value total.

The worst-performing assets included Development Investment Construction JSC (HoSE: DIG), Bình Sơn Refining and Petrochemicals (UPCoM: BSR), and real estate firm Đất Xanh Group (HoSE: DXG).

Proprietary trading is expected to pick up in the second quarter as the local stock market has shown signs of recovery since it bottomed at a three-year low at the end of March.

The decline of the stock market also made VDSC suffer lower income from brokerage activity, which fell 10 per cent year-on-year to VNĐ20.5 billion in the first quarter.

Incomes from margin lending interests and receivables were down 8.6 per cent on-year to VNĐ48 billion.

Margin loans and cash advances were worth VNĐ1.36 trillion, down by VNĐ300 billion from the beginning of the year.

VDSC targets to record at least VNĐ45 billion worth of pre-tax profit in 2020, down 6 per cent year on year.

The company shares (HoSE: VDS) ended Monday flat at VNĐ6,300 apiece.

8. MWG: Record date for AGM 2020

↑ 2.80%

On April 17, 2020, the Hochiminh Stock Exchange issued Announcement No.638/TB-SGDHCM about the record date of Mobile World Investment Corporation as follows:

- Ex-right date: April 29, 2020
- Record date: May 04, 2020
- Reason & purpose: to hold the 2020 Annual General Meeting 2020
- Exercise ratio: 01 share – 01 voting right
- Meeting time: from June 05, 2020 to June 06, 2020
- Meeting venue: MWG Building, lot T2-1.2, Street D1, High Technology Area, Tan Phu Ward, district 9, Hochiminh.

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