



VIETNAM DAILY NEWS

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Market Analysis

1. Shares rally on investors excitement over fees cut

Shares climbed in on Friday after the Finance Ministry's announcement it was cutting fees for most securities services by half.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange exceeded the 800-point landmark, climbing 2.16 per cent to close the session at 813.73 points.

The index had climbed 1.78 per cent to close Thursday at 796.54 points.

More than 371.3 million shares were traded on the southern exchange for VND7 trillion (US\$299.4 million).

Market breadth was positive as gainers outnumbered decliners by 228 to 140.

On Thursday, the Ministry of Finance issued Circular No 37/2020 stipulating securities fees to support businesses hit hard by the COVID-19 pandemic.

From now till the end of the year, 20 of 22 securities fees are subject to a 50 per cent reduction.

From January 1, 2021 onwards, all charges and fees will return to normal levels.

With the complex movements of the pandemic and its impact on the economy and the securities sector, the Ministry of Finance has taken measures to support the market.

Previously, the Ministry of Finance issued Circular No 14/2020 on March 18 to cut and exempt 15 different securities charges, including 10 per cent to 50 per cent reductions on nine services and exemptions for six services.

Of the 25 sectors, 17 gained ground on Friday thanks to strong buying demand. Retail, wholesale, insurance, real estate, food and beverage, agriculture, information and technology, oil and gas and securities were among gainers.

The sector's indices gained between 0.2 per cent and 2.9 per cent, according to vietstock.vn.

Health care, logistics, construction, construction materials and rubber production lost ground.

Banking stocks performed well with Techcombank (TCB), Vietcombank (VCB), Bank for Investment and Development (BID), Military Bank (MBB), Vietinbank (CTG) and VPBank (VPB) all rallying.

Petroleum stocks also advanced, including Petro Vietnam Gas JSC (GAS), PetroVietnam Technical Services Corporation (PVS), Viet Nam National Petroleum Stock (PLX) and PetroVietnam Drilling and Well Services Co (PVD).

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, increased 2.73 per cent to close at 760.15 points.

According to Bao Viet Securities Co (BVSC), the VN-Index is forecast to face correction pressure early next week before rebounding by the end of the week.

"After penetrating the previous peak at 795-800 points, the VN-Index may possibly experience a throwback to this area. If successfully retesting this support, the index may be able to expand its recovery toward 845-860 points in the short term," BVSC said.

On the Ha Noi Stock Exchange, the HNX-Index rose 1.58 per cent to end Friday at 110.02 points.

More than 65.5 million shares were traded on the northern bourse for VND566 billion.

The northern market index had risen 1.55 per cent to end Thursday at 108.31 points.

Macro & Policies

2. Australian company dispatches first shipment of live cattle to Vietnam

Australian Cattle Enterprises (ACE) - a Darwin-based concern in the live export industry - loaded 4,500 steers and bulls onto a livestock carrier on May 7 for its first consignment to Vietnam.

Speaking to Australia's ABC Rural as the shipment was being prepared, ACE Founder and Managing Director Patrick Underwood said it was “a really proud moment”.

The ship was originally to leave Townville Port on April 30 but was delayed for a week at the behest of the Vietnamese importer, he said, who was experiencing slower sales and a social distancing period.

COVID-19 had caused some “nervous moments” for the new Australian company.

Underwood said finding staff, including veterinarians, to work on ships during the pandemic has been challenging for the entire live export trade but he was pleased to receive support from the wider industry as well as the Australian Government.

The cattle were all sourced from Queensland and are being exported to Vietnam's largest importer of Australian livestock - Hoa Phat.

The company has two shipments planned for May and another two for June, while a third out of Darwin will also have buffaloes on board, he said./.

3. Inspection results for national reserve rice purchase announced

According to the announcement, 28 rice traders won bids to provide 178,000 tons of rice for the country's rice reserve. However, only two traders signed contracts and provided their full quota of 5,900 tons, while two other traders signed contracts but partially fulfilled their contracts for 1,800 tons.

The remaining 24 traders refused to sign contracts after they had won the bidding. Under the Bidding Law, they have to pay VND27.9 billion in bid deposits to the State budget.

The Ministry of Finance also announced that seven of the 22 reserve departments have allowed individuals and organizations to incorrectly store rice in the national rice reserve warehouses. They

include Ha Bac, Dong Bac, Bac Thai, Hanoi, Ha Nam Ninh, Binh Tri Thien and Thanh Hoa reserve departments.

Based on the inspection, the ministry has suspended the leaders of these reserve departments pending further investigation and sanctions.

The ministry also asked the General Department of State Reserves and the 22 reserve departments to review their management processes and procedures, improve management efficiency, install cameras at all of their warehouses for better control and safety and modernize their governance system.

4. Covid-19 causes tra fish export disruptions

The global spread of Covid-19 has pushed down Vietnam's tra fish exports to various source markets, Tran Dinh Luan, head of the Vietnam Directorate of Fisheries, said at a conference

discussing the production and consumption of tra fish amid Covid-19 on May 7.

He added that tra fish exports to China in the first quarter of the year had plunged by 48% over the

same period last year. Exports of the fish to the European Union and the United States fell by some 47% and 19%, respectively.

According to To Truong Lan, vice general secretary of the Vietnam Association of Seafood Exporters and Producers (VASEP), the pandemic has wreaked havoc on the local tra fish sector in terms of production, processing and export activities.

Many import partners have asked local tra fish exporters to delay or cancel 20%-40% of their signed orders. These requests mainly came from importers in the European and Chinese markets, followed by those in the United States, Lan noted.

The pandemic has also affected payments for local exporters by trading partners overseas. Local exporters have encountered woes in cash flow due to importers' refusal to pay or delays in making payments.

Further, the signing of new orders is not as smooth as in previous years, Doan Toi, chairman and general director of Nam Viet JSC, explained at the event.

Although the local tra fish sector has taken a hit, the Directorate of Fisheries said that the supply chain disruptions would be short-lived, and forecast that the sector will recover from the third quarter. Outbound sales to the Chinese market alone are expected to bounce back by the end of May.

However, according to the VASEP representative, it is uncertain whether the E.U. and U.S. markets will recover in the second quarter. She predicted that tra fish export turnover this year will likely decline and stressed that high inventories of tra fish at local firms must be addressed.

To do so, Lan suggested local exporters focus on marketing and tapping new potential markets such as those in the ASEAN, India and Pakistan.

5. Apple to produce millions of 'made in Vietnam' AirPods amid pandemic

Apple will produce millions of its popular AirPods wireless earphones in Vietnam for the first time this quarter, sources familiar with the matter told Nikkei Asian Review, in a sign the company is accelerating its diversification of production out of China amid the coronavirus pandemic.

Some 3 million to 4 million units, or around 30% of total classic AirPods production this quarter, will be "Made in Vietnam," the sources said. The production relocation does not yet include AirPods Pro, a high-end version with noise cancellation features that Apple introduced last October. The majority of the AirPods range -- including AirPods (priced at \$159) and AirPods Pro (priced at \$249) -- are still produced in China, despite some wearable electronics devices being hit with additional tariffs imposed by the Trump administration since last year. Apple's other key products, iPhones and MacBooks, have not yet been hit by tariffs and are still mainly assembled in China.

"The mass production of AirPods in Vietnam started as early as in March," a person familiar with the matter said. "The Vietnamese officials

even granted special permits for a key Apple AirPods assembler to help the company bring in engineers to the country for smooth production during lockdowns." Vietnam began easing some lockdown measures in late April.

Back in mid-January, when the U.S. and China inked a phase one deal to ease the yearlong trade conflict, Apple slowed efforts to shift production out of China, its biggest production base. But the global pandemic has served as an additional reminder for tech companies of the importance of diversification and manufacturing sustainability -- not just low costs.

Trade tensions between Beijing and Washington, moreover, have flared up again as Trump administration officials plan ways to strip the supply chain out of China as punishment for the country's handling of the epidemic. Japan also said it will fund Japanese companies' production relocation plans to slash the country's reliance on China.

"It's still an irreversible trend that big U.S. tech companies will need to gradually seek production

bases outside China," another supply chain executive told Nikkei. "Most of the U.S. companies including Apple are looking for non-China production. ... Some prefer Vietnam and some like Thailand, some in India, and some in the Americas, and others Southeast Asian nations."

Meanwhile, the coronavirus outbreak has also hit AirPods demand, as Apple was forced to close many of its brick-and-mortar stores. Apple has told its suppliers to lower production for the first half of 2020 by more than 10% from its original orders of around 45 million units, which it placed in January, people familiar with the production plan said. The plan to introduce an update of the AirPods later this year is also currently affected and delayed by the disruptions of COVID-19, they said.

AirPods, the most rapidly growing item in Apple's hardware product portfolio, is the world's best-selling wireless Bluetooth earphones. They commanded about 50% of the global market last year, selling around 65 million units, according to Counterpoint Research, which predicts sales to grow to up to 100 million units for 2020.

Apple declined to comment. AirPods assemblers GoerTek and Luxshare did not respond to Nikkei Asian Review's request for comments.

Apple had asked suppliers to evaluate plans to move around 15% to 30% of its hardware production out of China at the height of Washington-Beijing tensions last year, Nikkei Asian Review first reported. China-based GoerTek, a key AirPods assembler, began preparing to shift production to Vietnam as early as October 2018 and began some test production last summer, as Nikkei first reported.

Luxshare Precision Industry, also known as Luxshare-ICT, had initiated new investment last year in the Southeast Asian country and also

passed Apple's qualification to mass produce the wireless headphone there, two people said. Inventec, another AirPods assembler, is currently building a plant in Vietnam, at Apple's requests, a person with knowledge of the matter told Nikkei.

Apple has gradually formed a more complete acoustics supply chain in north Vietnam, where the Cupertino tech giant has long sourced its traditional EarPods-- the wired headphones that come with iPhones -- from multiple suppliers' factories there.

Meanwhile, its acoustic component supplier, Merry Electronics, is collaborating with Luxshare to prepare a facility in Vietnam slated to begin operations as early as this summer, according to the company. Many key Apple suppliers, such as the two major iPhone builders Foxconn and Pegatron, and iPad maker Compal Electronics, are all expanding production in north Vietnam even though they are not necessarily helping make Apple products there at the moment. Many are currently helping other tech companies, such as Google and Amazon diversify production.

Willy Shih, professor of management practice at the Harvard Business School, told Nikkei that the global pandemic will force a lot of tech companies to take another look at supply chain continuity issues.

"So far, in terms of the tech supply chain, China really has the best infrastructure, transportation, skilled workers and logistics. But we will see more diversification in the coming years, certainly for the electronics industry, as now they realize they can't put all the eggs in one basket."

"I would say the more likely scenario is these big companies will look for China plus one, China plus two other countries, or even China plus three other countries in the longer term," Shih said.

6. Ramifications of new relaxed regulations on the economy

Whilst the country has not had the benefit of large fiscal surpluses or large foreign exchange reserves (currently at record levels of over \$80 billion), Vietnam has shown itself to be a leader in how to successfully manage the current pandemic

through rigorous contact tracing, quarantine measures, and testing.

Vietnam has established itself as one of the safest, if not the safest, countries in the world in this

context. It was similarly successful during the SARS epidemic in 2003. The country has only recorded under 300 total cases and zero deaths, which is a far better record than areas much smaller and less populated than Vietnam, and much further away from where it all started.

The first two cases were recorded in Vietnam on January 23 – a father and son travelling from Wuhan city of China. From mid-February, Vietnam went 20 days without a new case, which was a Vietnamese national returning from Europe. It has taken longer with the second wave to bring it under control but as of last week, the only new cases are people who have travelled from elsewhere and are already in quarantine. This will undoubtedly impact the reopening of our borders, which is crucial for the tourism and hospitality industry.

Vietnam was quick to impose quarantine requirements on all arriving international passengers when the second wave started, and ceased all international flights in and out at the end of March. Since then, we have had a period of 21 days of strict social distancing, which required all non-essential businesses to close, closure of public transportation services, and a fairly strict work-from-home policy for those fortunate enough to still have jobs, in businesses still having sufficient business.

Vietnam's challenge now is supporting business and the economy, as the government is not in a position to inject large amounts of money into the economy, though this is badly needed in many sectors. In the first quarter, over 350,000 businesses closed. GDP growth in the first quarter of 2020 was the lowest in the last 10 years at 3.82 per cent on-year, and we can expect the growth in the second quarter to be lower or at best similar levels. According to Standard Chartered, GDP growth forecasts for the year range from 3.3 to 5 per cent plus.

Now to the joy of many, the social distancing requirements are being relaxed and the immediate impact was seen by the volume of traffic on the roads, although many small businesses seem to have remained closed and schools have not yet been allowed to reopen. It is now a question of how this will impact business and how business can benefit.

Unfortunately, the virus is not gone and things will not be back to business as usual because large areas of the world are going through major challenges caused by a vast number of reported COVID-19 cases and reported fatalities such as the United States, Germany, Italy, France, and United Kingdom – and many of these are major export markets for Vietnam. These economies have also been severely impacted and many are under strict lockdown and suffering from rapidly-increasing unemployment. The US for example has recorded 26 million claims for unemployment since mid-March.

So the impact will be different for different sectors of the economy. It will not be one-size-fits-all and we have to remember that many businesses will be short of financial resources because of the pandemic in the first four months of this year. We also have to remember that the business environment as and when the pandemic comes to an end may be very different from the one before it struck.

Sectors that have been really hard hit, like hotels and airlines, will see little direct benefit from the relaxation of social distancing as the increase in business from the limited increase in domestic travel, relative to the pre-pandemic levels, will be relatively small. Vietnam Airlines revenues dropped 26 per cent to \$819 million in the first quarter as compared to the same period in 2019. The airline forecasts that its 2020 revenue is expected to decline by VND50 trillion (\$2.17 billion), and over 10,000 employees will have to temporarily leave their jobs if the impact of the pandemic continues into the fourth quarter of 2020, with the volume of air passengers falling 46 per cent on-year from almost 90 million last year.

Hotels have had similar issues with virtually no business since March, when people started to stay at home and inbound flights from many countries were suspended. It is likely that domestic travel will resume as more flights come back into service. However many people may lack confidence to travel and also many people will be more focused on saving, rather than spending because of the uncertainty in the labour market. As yet it is uncertain how the country will open up to inbound travel from major source markets like China, Japan, and South Korea who together accounted for more than 50 per cent of our inbound travel business in the last several years.

It is quite amazing how external shocks can devastate markets. Last year my major concern, when making presentations on tourism and hospitality, was that nearly all our airports in Vietnam were operating at over-capacity and the constraints that would have on the growing supply of hotel rooms and branded residences. Now the airport capacity issue will no longer be an issue for the foreseeable future but the growing supply of hotel and tourism accommodation will be even harder hit.

Many manufacturing businesses have been able to stay open, with a requirement to comply with stricter social distancing requirements and medical requirements, but the key issue for most of them is when demand will resume or pick up from overseas markets to replace cancelled orders, and when supply chains will normalise. How will they survive if demand is not there and

they are only operating at levels well below capacity?

Small local businesses will probably benefit the most as local purchasing will resume as people start to go about their daily lives and feel more confident in their employment status and people want to get out after being stuck home for the last several weeks. However, whilst this will help small businesses to function and maintain employment or re-employ staff, this will have a relatively small impact on the larger economy. One likely bright spot will be the acceleration of the movement of manufacturing businesses from China to Vietnam, and the positive impact this will have on investment flows, employment, and exports as many of these businesses will be export-orientated businesses. It has been reported for example that Apple has been advertising several senior positions in Vietnam.

Corporate News

7. VGC: Board resolution on new record date for Annual General Meeting

↑ 0.00%

The Board of Directors of Viglacera Corporation - JSC decided the following issues:

- 1) To cancel the list of shareholders which was recorded by the Vietnam Securities Depository;
- 2) To announce another record date to determine a list of shareholders to convene Annual General Meeting 2020:

- Record date: June 01, 2020
- Exercise ratio: 1:1 (01 share – 01 voting right)
- Meeting time: June 19, 2020
- Meeting venue: The Company will notify in invitation letters.

8. CII: Report on the result of share buyback

↓ -0.51%

Ho Chi Minh City Infrastructure Investment Joint Stock Company reports the result of share buyback as follows:

- Stock code: CII
- Par value: VND10,000/share
- Number of shares registered to be bought back: 9,000,000 shares
- Number of bought shares: 9,000,000 shares
- Trading time: from April 06, 2020 to May 05, 2020
- Number of treasury shares before trading: 35,329,870 shares
- Number of treasury shares at present: 44,329,870 shares
- Financial resource for the share buyback: the capital surplus, the investment development fund, the retained earnings.
- Average buying price: VND19,501/share
- Trading method: order-matching.

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