VIETNAM DAILY NEWS

May 20th, 2020

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Market Analysis

1. Stock trading soars to more than VND8 trillion

Strong gains of oil futures on Monday helped The Hochiminh Stock Exchange saw its trading value jumping nearly 81% against the previous session at more than VND8 trillion, as buyers turned active amid hopes for a global economic recovery.

Closing today's session, the benchmark VN-Index climbed 8.91 points, or 1.06%, at 845.92, with gainers outnumbering losers at 231 to 135. However, it missed the intraday high of 855 points as many large cap stocks encountered profit taking pressure in afternoon trade.

The gains followed a rally on Wall Street overnight after Moderna Inc announced its Covid-19 vaccine, tested in the United States for the first time, had produced protective antibodies when being trialed in eight healthy volunteers. The positive early test results boosted sentiment as investors are betting on an economic recovery, said vietstock.vn.

On Wall Street overnight, the benchmark S&P 500 posted its largest one-day percentage gain in the last six weeks, rising 3.15%. The Dow Jones Industrial Average gained 3.8% and the Nasdaq Composite rose 2.44%.

Oil prices jumped to their two-month high, as the easing of global lockdowns allowed economic activity to restart.

Brent crude was up 1.24% to end at US$35.21 and U.S. crude jumped 2.7% to US$32.69 per barrel. Vietnam's energy and mining sector index thus also gained nearly 1.6%.

Thanh Cong Securities in a report said high turnover proved that market sentiment was stable and cash supply was abundant. The short-term peak of the market was still forecast at 850 to 860 points as investors were willing to buy in whenever stocks were sold at low prices.

On the Hanoi Stock Exchange, the HNX-Index advanced 0.26% from the day earlier at 108.83. Market trade improved sharply with 58.3 million shares worth VND567 billion traded at the end of the day, including block deals valued at VND55.1 billion.

Macro & Policies

2. Hai Phong international terminal welcomes super-heavy vessels

The Cang Hai Phong International Container Terminal Co., Ltd (TC-HICT) on May 19 berthed a super tonnage ship called ONE CONTRIBUTION.

TC-HICT had already successfully berthed a mother vessel, CSCL BOHAI SEA, of COSCO shipping, which directly connects Hai Phong and California, in late April.

With a capacity of 8,560 TEUs and a length of 316 metres, ONE CONTRIBUTION is one of 11 super-heavy vessels belonging to a joint venture between Taiwan (China)'s Yang Ming, Japan's ONE, Germany's LIoyd, and HMM from the Republic of Korea. It provides direct services from the northern and southern regions of Vietnam to the west coast of the US.

TC-HICT is a joint venture between the Tan Cang Saigon (Saigon Newport) Corporation, MOL Shipping and the Itochu Group from Japan, and Wan Hai Lines Ltd. from Taiwan.

Commencing operations on May 13, 2018, TC-HICT is the first deep-water port in the northern key economic region and boasts two 750-metre-long container terminals, a 13.4-metre-deep access channel, and a 660-metre turning basin.

The port can accommodate mother vessels of up to 12,000 TEUs and ensure a cargo throughput of 1.1 million TEUs each year.

TC-HICT currently provides eight direct service routes a week, including three trans-Pacific routes, two to India, and three intra-Asia routes for Vietnam's exports and imports, shortening the lead time by three to five days compared to current services and substantially minimising logistics costs and risks./.

3. Foreign firms gobble up renewable energy plants in Vietnam

Thai energy firm Gulf Group recently increased its ownership in two solar power plants in the southern province of Tay Ninh from 49 percent to 90 percent.

The plants, TTC 1 and TTC 2, were jointly invested in by Gulf and Vietnam's Thanh Thanh Cong (TTC) company last year.

Gulf also owns 95 percent of some wind power projects in the southern province of Ben Tre.

Another Thai firm, Super Energy Corporation, has also been acquiring stakes in a series of solar power plants in southern provinces.

The company said in March that it would invest $475 million in four solar power plants in the southern province of Binh Phuoc and will own a controlling share in these projects.

Other investors from Singapore, China and the Philippines have gained ownership in dozens of solar and wind power plants in Vietnam via stake acquisitions or business ventures.

Industry insiders say the foreign firms are drawn to the incentive feed-in-tariffs (FITs) of 9.35 cents for 20 years for projects completed before June 30 last year.

Hoang Tien Dung, head of the Electricity and Renewable Energy Authority under the Ministry of Industry and Trade, said foreign entities acquiring renewable projects was a legal and normal market mechanism.

Big international energy corporations do not usually start a project from the beginning due to the large amount of time it takes to acquire land and seek approval from local authorities, he said.

This is why local companies, with better understanding of regulations and policies, will have more advantages in doing these initial steps, he added.

The big corporations, meanwhile, have deep pockets and advanced technology at hand to invest in large projects or a group of small projects to lower operating costs, Dung said.

But there are concerns that some small Vietnamese investors have taken advantage of the regulations and obtained permission for renewable projects only to sell them quickly to foreign investors for a profit.

Prime Minister Nguyen Xuan Phuc has recently demanded that the industry ministry look into this issue.

As of May this year, 92 solar power and 10 wind power projects are operating commercially in the country with a total capacity of nearly 6,000 MW, according to the ministry.

Vietnam last month approved a new, lower feed-in-tariff for renewable power at 7.09 cents, 24 percent less than the incentive FIT of 9.35 cents.

The ministry is studying a bidding mechanism for renewable energy projects in the future so they can compete with more traditional projects using coal and gas.

4. Vietnam's North-South Expressway project gets fresh air

The National Assembly (NA) will start its May session on May 20, with one of the focuses to be the vote on the conversion of financing mechanism of eight sections of the Eastern Cluster of the North-South Expressway from public-private partnership (PPP) into public investment which is attracting attention among the public and investors over its feasibility amid the state budget constraints.

The vote will take place in the context that the country is taking a number of bold measures to recover economic activity, in which acceleration of public investment will be one of the five key focuses, thus it is expected to make the project more ebullient and desirable.

At the online dialogue on May 9 between Prime Minister Nguyen Xuan Phuc and thousands of businesses, the government leader showed his strong determination to step up disbursement of a huge amount of public investment in key projects, especially the labor-intensive ones to cut unemployment and underemployment and stimulate economic growth.

"This hefty commitment is timely as not only Vietnam but also other countries worldwide are advancing infrastructure projects and public investment to create jobs for the locals and for the economy to recover," senior economist Nguyen Tri Hieu said, citing the US as an outstanding example. The Trump administration plans a huge allocation of billions of US dollars for infrastructure projects in a move to generate jobs and deal with unemployment which has amounted to over 30 million people over recent weeks.

Echoing Hieu's view, many experts agreed that Vietnam is not an exception of this aggressive public spending. The country is stimulating key transport projects and other infrastructure ones to support development and economic recovery in post-Covid-19. This is a good opportunity for investors.

This belief is reinforced when the Ministry of Transport (MoT) said that, "When the NA approves the financing mechanism conversion, it will ratify budget for these projects. The government will then take steps to secure its financing, part of which comes from the state budget and the other perhaps from loans from local and international credit institutions."

Definitely, the government's new undertaking will create a fresh air for the Eastern Cluster of the North-South Expressway, thus hopefully easing recent concerns over its bankability because of state budget constraints, and enabling the construction to begin in August 2020 as planned by the MoT.

Earlier, the Ministry of Finance (MoF) raised concerns over the limited state funding for the development of the key national transport project after the proposal of the MoT to transform funding mechanism from PPP to public investment for infrastructure projects. The MoF proved that in case the proposal is okayed , the number of wholly state-funded sections will rise from three to six, thus increasing total public investment and site clearance costs to VND54.36 trillion (US$2.36 billion).

Meanwhile, the mid-term public investment fund approved by the NA is VND55 trillion (US$2.39 billion). This means that there would be almost no funding left for converting the financing mechanism of other road sections from PPP to public funding in the 2016-2020 period. According to economists, as the pandemic has caused a plunge of 6% in tax revenue in January-April, arranging enough funding for public investment projects would be a serious headache.

The construction of the Eastern Cluster of the North-South Expressway, which is 2,109km long, implies a cost VND118.71 trillion (US$5.16 billion). It comprises 11 sub-projects (three of which will be state-funded) and has so far attracted big interest among domestic and international investors. Despite strong attention, the project is tied down to difficulties in mobilizing private investment due to high risk of losses and the lack of supporting legal framework. Both investors and lenders want a guarantee mechanism, minimum return commitments, and foreign exchange conversion guarantees – all of which are missing from current rules.

In fact, the Eastern Cluster of the North-South Expressway is not the only PPP transport project that gets stuck. A series of Buil-Operate-Transfer (BOT) transport schemes with better financial plans than the eight PPP sections are being at a standstill for falling short of credit, such as Huu Nghi-Chi Lang, Van Don-Mong Cai, and Trung Luong- My Thuan.

Investors hope that with the government's giving top priority to increase disbursement of public investment, and hasten key transport and infrastructure projects, these projects' credit problems will be solved soon, while opening new opportunities for investors.

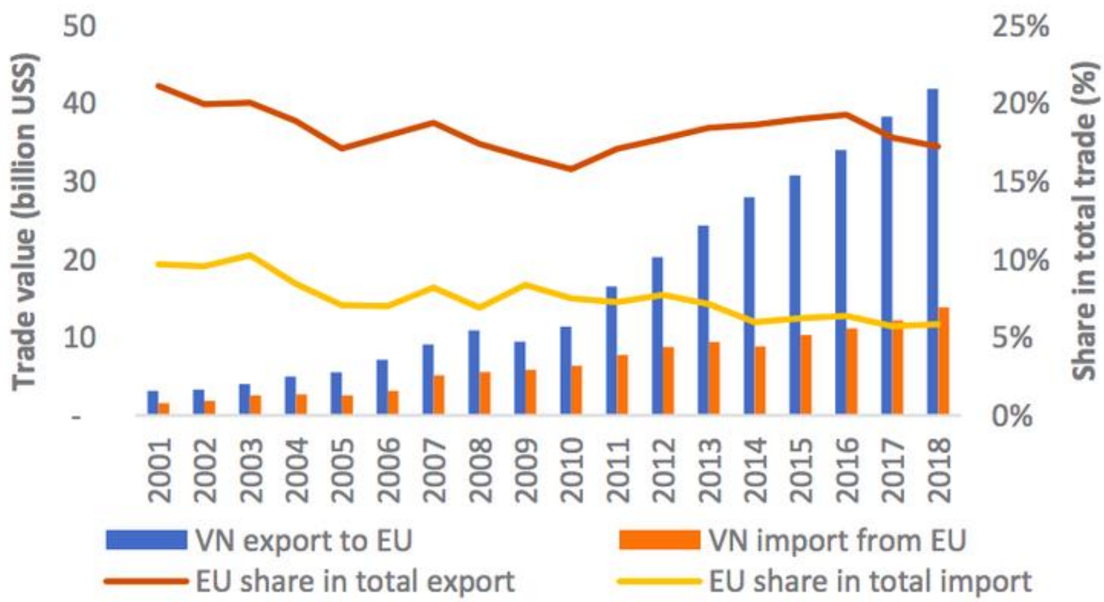
Until then, they have to wait for the outcome from the NA voting. Possibly, a new scenario may happen.

According to the MoT, it will make available a list of expressway projects calling for private investment in the near future, and is preparing sufficient state funding to join private investors in these projects.

This year, the MoT plans to kick off 18 transport projects with the total investment capital of around VND92.38 trillion (US$4 billion). They will include the aforementioned expressway project, and railway schemes with planned funding of up to VND15 trillion (US$652 million), as well as Terminal 3 of Tan Son Nhat International Airport.

5. Decisive reforms needed for Vietnam to realize full benefits of EVFTA: WB

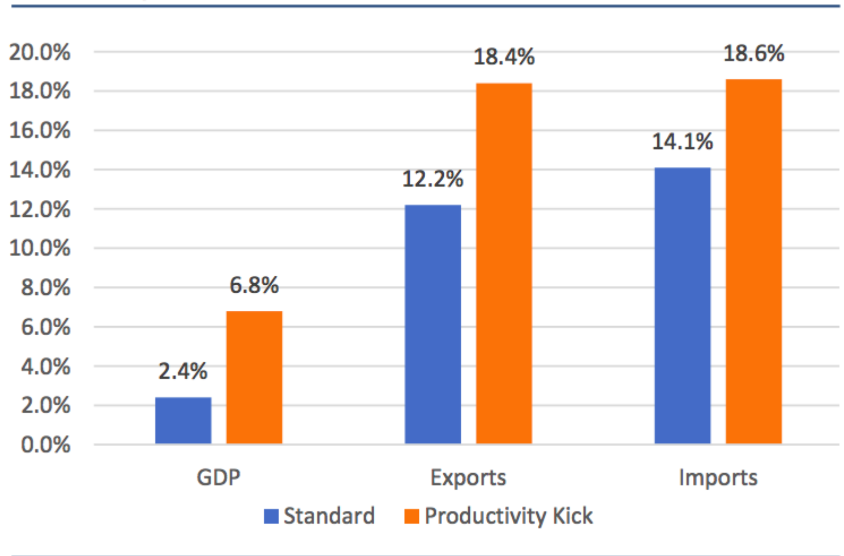
Vietnam needs to fill major legal gaps and address key implementation issues to reap the full benefits of the European Union Vietnam Free Trade Agreement (EVFTA), expected to be ratified by Vietnam's National Assembly in its May meeting, according to a new World Bank report.



Source: Trade Map.

The report, "Deepening International Integration and Implementing the EVFTA", released today, estimates that by simply enjoying the tariff reduction as agreed, EVFTA could boost Vietnam's GDP and exports by 2.4% and 12% respectively by 2030, while lifting an additional 100,000-800,000 people out of poverty by 2030. Such benefits are particularly urgent to lock in positive economic gains as the country responds to the Covid-19 pandemic.

The report argues that Vietnam could benefit even more from the next-generation trade deals such as EVFTA and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) if they stimulate a comprehensive agenda of economic and institutional reforms to facilitate compliance with non-tariff agreements.



Source: World Bank staff estimates.

The report estimates that such reforms would result in a "productivity kick", increasing GDP by 6.8%, relative to the baseline scenario, by 2030. The report highlights the need for Vietnam to increase capacity to handle certain key issues, including rules of origin, animal and plant sanitary standards, and investor-state dispute settlement.

"If Vietnam can act in a decisive manner to close legal and implementation capacity gaps, it can capitalize a trade deal whose direct benefits are estimated to be largest in the country's history," said Ousmane Dione, World Bank Country Director for Vietnam. "With Covid-19 acting as a reset button and EVFTA as an accelerator, now is the perfect time to embrace deeper domestic reforms."

The report cites the rules of origin requirement as one of the key challenges for Vietnam to overcome. Even if a product is produced in Vietnam, EU importers might not determine it as such due to the high dependence on imported materials.

The report finds that in key export manufacturing industries, a majority of inputs are sourced from foreign countries (for instance, 62% in electronics and 53% in the automotive sector). It calls for greater efforts to improve linkages between domestic suppliers and foreign enterprises as lead firms in major global value chains.

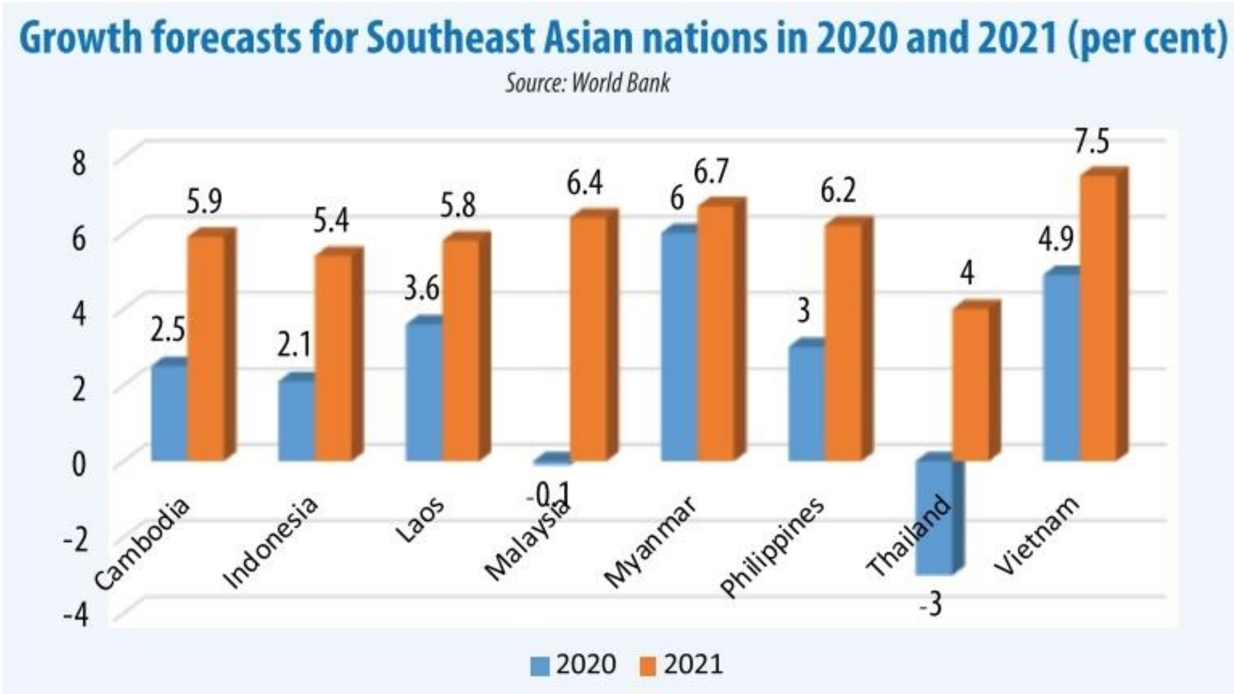
At the same time, rigorous European food safety standards make it imperative for Vietnam to improve the clarity and consistency of its sanitary measures. By one estimate, the cost of full compliance with existing non-tariff measures in Vietnam will be equivalent to a 16.6% tariff (compared to a regional average of 5.4%).

The introduction of EVFTA is expected to bring more investors into Vietnam both from Europe and from the rest of the world. As the flow of foreign investment increase, so does the number of commercial grievances. The World Bank calls for accelerated development of a Systemic Investment Response Mechanism to settle disputes between investors and the state.

The report also makes the case for prioritizing key sectors that make up the bulk of Vietnamese exports to the European market for Covid-19 economic recovery efforts, to maximize the benefits of the trade deal.

The EU is one of Vietnam's most important and stable trading partners. Vietnam's exports to the EU have steadily grown at an average annual rate of 16%, and Vietnam has gained a trade surplus with the EU over the past two decades.

6. Options outlined for lower growth



Last week at the National Assembly Standing Committee's meeting, Minister of Planning and Investment Nguyen Chi Dung reported that as assigned by the government, his ministry has formulated two economic growth scenarios for 2020. In the first scenario, with Vietnam controlling COVID-19 in the second half of April and its key investment and trade partners doing this in the third quarter of 2020, GDP is expected to increase 4.4-5.2 per cent this year, with the agro-forestry-fishery sector growing 2.5-2.8 per cent, the industrial and construction sector 6.7-7.9 per cent, and the service sector 2.8-3.6 per cent, on-year.

In the second scenario, with Vietnam reining in COVID-19 in the second half of April and its key investment and trade partners doing this in the fourth quarter of 2020, GDP is expected to increase 3.6-4.4 per cent this year, with the agro-forestry-fishery sector growing 2.1-2.5 per cent, the industrial and construction sector 5.8-6.7 per cent, and the service sector 1.8-2.8 per cent, on-year.

The National Assembly Standing Committee suggested that the government needs to consider formulating another growth scenario, with an assumption that the pandemic will surge in the country in this autumn and winter, while COVID-19 may not still be eradicated in 2020. If this bad situation happens, Vietnam's economic growth may be only 3 per cent this year, affecting the state budget balance and other issues in the economy.

These scenarios, mirroring the government's caution in monitoring the economy, are to be discussed at the ninth session of the 14th National Assembly, which will last from May 20 to June 19. Last November, the legislature set a growth target of 6.8 per cent for 2020 – whether this rate will be adjusted or not will likely be seen at the session.

Currently, the economy is showing signals of recovery with confidence of enterprises bouncing back, laying firm groundwork for the government to maintain the economy at a growth rate on top of the region.

Prime Minister Nguyen Xuan Phuc has stated that the economy is gradually witnessing normal activities, with enterprises' confidence beginning to escalate. "The economy is now like a pressed spring which is ready to bounce up," he said.

Fresh figures from the Ministry of Planning and Investment (MPI) showed that in April, the entire country saw over 3,800 enterprises resume operation, up 11.3 per cent on-month and 40.4 per cent on-year. In the first four months, 17,800 enterprises did so, up 2.1 per cent on-year, raising the total number of newly-established enterprises and those with resumed operations to 55,400.

Moreover, 980 businesses completed their dissolution procedures, down 25.5 per cent on month, and 17.6 per cent on-year. Also, despite numerous difficulties, 11.700 operational enterprises also increased their investment capital by VND681 trillion ($29.6 billion). “This is likely a positive signal that many enterprises are restarting their operations in order to welcome new business and investment opportunities after COVID-19 is controlled,” said MPI Minister Nguyen Chi Dung. “The economy's mid-term outlook remains quite favourable thanks to high domestic consumption and export demands.”

According to the government, amid difficulties, many enterprises have been maintaining sustainable development with high growth.

“The World Bank has predicted that Vietnam will grow 4.9 per cent this year. In the first quarter, the economy grew 3.82 per cent on-year. Though it was a 10-year first-quarter low, it remains a relatively high growth rate in the global common context,” PM Phuc stated. “The World Bank's assessment showed that Vietnam is still maintaining its good fundamentals, with the highest growth rate in Southeast Asia and the wider Asian region. Among the ASEAN, Vietnam has the best growth outlook.”

A few weeks ago, the Vietnamese economy was forecasted to rebound strongly next year thanks to a surge in domestic production after the COVID-19 pandemic. The World Bank stated that over the medium term, growth is projected to rebound back to 7.5 per cent in 2021 and converge at about 6.5 per cent in 2022, “reflecting an improved external demand and a firming of the services sector, as well as a gradual recovery in agricultural production. The economy will also rebound from the global coronavirus pandemic.”

Meanwhile, the Asia Development Bank (ADB) has predicted that Vietnam's economic growth will slow sharply in 2020, to 4.8 per cent, but if the outbreak is contained within the first half of 2020, the rate will rebound to 6.8 per cent next year and remain strong over the medium and long term.

“The Vietnamese government is implementing huge packages to support local production and exports. If these measures are well deployed, they will help the economy bounce back quickly in the second half of 2020 and until 2021,” an ADB expert told VIR. “Despite the potentially large impact of COVID-19, Vietnam's economic fundamentals remain resilient. Drivers of economic growth – a growing middle-income class and a dynamic private sector, notably household businesses, and domestic ones – remain robust.

Corporate News

7. MSN: Notice of bond issue (Phase 4.2020)

↑ 0.80%

MaSan Group Corporation announces a public offering of bonds (Phase 4.2020) as follows:

File Attachment

171106_Phase-4.2020--MN.pdf

8. HPG: HPG to estimate the profit plan in 2020

↑ 4.18%

Hoa Phat Group Joint Stock Company has expected the business plan in 2020 to submit to the General Meeting of Shareholders as follows:

- Revenue: from 85,000 billion dongs to 95,000 billion dongs

- Profit after tax: from 9,000 billion dongs to 10,000 billion dongs

- Expected dividend for 2019: 20% in stock, 5% in cash.

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