



VIETNAM DAILY NEWS



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Market Analysis

1. Shares rise for fourth consecutive day

Vietnamese shares extended their gains for the fourth day in a row on Thursday on the back of a surge in banking stocks during the at-the-closing (ATC) session.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 1.15 per cent to close the trading session at 862.73 points.

The benchmark VN-Index had risen 3.7 per cent in the last four days.

More than 331.9 million shares were traded on the southern exchange, worth VND5.5 trillion (US\$236.5 million).

Market breadth was neutral with 176 gainers and 172 decliners.

The large-cap tracker VN30-Index increased 1.52 per cent to close Thursday at 815.55 points.

In the VN30 basket, 24 of the 30 largest stocks by market capitalisation and trading liquidity increased. Two lost ground and four were unchanged.

Stocks in the VN-30 basket that enjoyed growth included conglomerate Vingroup (VIC), real estate developer Vinhomes (VHM) and dairy firm Sabeco (SAB).

A rally in bank shares lifted stock markets on Thursday with gainers including Techcombank, rising 4.5 per cent, Vietcombank, increasing 2 per cent, Vietinbank, up 2.9 per cent, Bank for Investment and Development of Viet Nam, climbing 1.4 per cent and Military Bank, rising 1.7 per cent.

Notably, Vietnam Commercial Joint Stock Export Import Bank and Ho Chi Minh Development Joint

Stock Commercial Bank hit the daily gain limit of 7 per cent.

Foreign investors net sold VND66.70 billion on HOSE, including Hoa Phat Group HPG, VND77.73 billion, Dabaco Group (DBC), VND27.94 billion and Vincom Retail (VRE), VND27.30 billion.

They were net sellers on the HNX with a value of VND3.33 billion.

“Despite following an uptrend in the short term, at market close today, the VN-Index has entered resistance 860-880 points, where correction pressure is expected in upcoming sessions,” said Le Hoang Phuong, an expert at Bao Viet Securities Joint Stock Company.

“Cashflow will move toward building material, infrastructure, industrial park real estate, technology, oil and gas, and sectors benefiting from EVFTA like textile and fishery,” Phuong said.

“Stock exposure should be maintained at 35-45 per cent of the portfolio,” she said.

“Investors should continue to hold current positions and hold off on buying new stocks unless the index successfully penetrates through 860-880 points,” Phuong said.

The HNX-Index on the Ha Noi Stock Exchange slumped 1.13 per cent to close Thursday at 105.74 points.

The northern market index had fallen 1.73 per cent to close Wednesday at 106.94 points.

More than 76.4 million shares were traded on the northern bourse, worth VND854.4 billion. — VNS.

Macro & Policies

2. VN records trade deficit in first half of May as exports slump

Only two groups of products posted an export turnover of at least \$1 billion during the period including computers, electronics and components at some \$1.5 billion and telephones and parts at \$1 billion. That brought export earnings of these products total to \$13.6 billion and \$16.4 billion, respectively so far this year.

Several other staples with an encouraging export value were textile and garment with \$828 million, totalling \$9.47 billion to date this year; machinery, equipment and parts with \$753.5 million, totalling more than \$7.5 billion and footwear with \$587 million, totalling \$5.94 billion.

Meanwhile, the country imported nearly \$9.2 billion worth of goods in the first half of May with computers, electronics and components and machinery, equipment and parts recording respective earnings of \$2.1 billion and \$1.4 billion, according to the department.

Since the beginning of this year to mid-May, the nation's trade value hit about \$177 billion. Of the

total, more than \$89 billion came from exports while the remainder of \$88 billion from imports. That resulted in a trade surplus of more than \$1 billion, the department noted.

The Ministry of Industry and Trade predicted that Viet Nam's export value would increase again in the second half of this year if the pandemic was controlled in the second quarter.

The ministry would continue to give priority to promoting trade connections between Vietnamese enterprises and foreign partners, and the introduction of made-in-Viet Nam goods to domestic and international consumers.

Viet Nam has set a goal of reaching \$300 billion export value target by the end of this year after four-year trade surplus record. Last year, the country's trade surplus hit a record high of \$9.9 billion, the highest level seen in the past four years. — VNS.

3. Vietnamese businesses ready to be connected with “avenue” EVFTA

In that context, Vietnamese businesses, especially those in the areas of garment & textile, leather & footwear, and agro-forestry and fishery exports, should keep themselves ready when the “avenue” for trade with the EU is connected.

A boost for post-pandemic export recovery

The EVFTA is expected to create a big “push” for Vietnam's exports to the vast EU market, particularly for the aforementioned commodities, with which Vietnam has many competitive advantages. Accelerating exports to the EU is one of the important solutions that the Vietnamese Government is determined to promote in overcoming the difficulties for the economy due to negative impacts from COVID-19.

Nguyen Thi Thu Trang, Director of the WTO and International Trade Centre under the Vietnam Chamber of Commerce and Industry (VCCI), said

that market demand has declined amidst the complicated developments of the pandemic around the world, but it will possibly hike when the disease has passed. Specifically, when the EVFTA takes effect, it will drive enterprises to re-boost their export activities. Therefore, businesses need to closely monitor the COVID-19 situation in order to introduce appropriate production and business plans, as well as shift the form of trade promotion towards utilising online advertising and connection to maintain and develop their markets, thus ensuring that business activities will be restored soon after the disease stoppage.

Vietnam's trade missions in the EU, Belgium and Luxembourg recently recommended that Vietnamese export companies should consider the manufacturing and reserving of goods to meet orders from the EU when favourable conditions come. In the near future, if the pandemic is controlled and the EVFTA comes into effect, the

factors negatively impacting Vietnam's exports to the EU will be reduced. Garment & textile products – one of the items benefitting the most from the EVFTA – will be in good hands when the EU lifts coronavirus lockdowns. Notably, after this crisis, the market may have many changes, both in the size of orders and the ways to conduct activities. It is predicted that EU businesses will significantly change the manner in which they carry out their import-export activities, which requires Vietnamese garment & textile exporters to stay updated on the situation and make timely adjustments. In addition, industries that are less dependent on the supply chain, such as agricultural products, will get benefits immediately after the EVFTA comes into force.

A favourable factor is that the economic structures of Vietnam and the EU have no direct competition, but rather complementary competition. Vietnam's strength goods are not the strengths of the EU and vice versa. However, according to Nguyen Thi Thu Trang, Vietnamese firms will have to bear certain costs to adjust their production. For example, to meet the rules of origin under the EVFTA, businesses must change the supply of raw materials, from abroad to domestic sources. Domestic supplies will cost more, but this will give enterprises an advantage when exporting their products to the EU.

Opportunities to diversify markets

Recently, the Multilateral Trade Policy Department (under the Ministry of Industry and Trade) announced that all preparations have now been completed. Businesses should also ready themselves, because as long as the EVFTA is approved by the Vietnamese NA and the two sides completes the notification process as prescribed, the agreement will officially take effect for both the EU and Vietnam.

The group of experts at the RMIT University Vietnam stated that it is high time for Vietnam to diversify its trading partners in a stronger manner to reduce dependence on one or two key markets regarding both imports and exports. The EVFTA is an essential factor in that process, especially as the global supply chain has been severely affected by the decline in production and trade activities due to COVID-19.

For such an open economy with a high trade-to-GDP ratio as Vietnam, problems related to fluctuations can escalate rapidly, particularly when import and export activities have an important but unsustainable linkage with large markets such as China. Regarding the US market, Dr. Nguyen Quang Trung (RMIT University Vietnam) said Vietnam's high and constantly growing trade surplus with the US may also be unsustainable, and could even fall into a difficult situation, as domestic businesses have not yet mastered the main stages in the global value chain. In recent years, Vietnam has constantly reported a trade deficit with China, while trade surplus with the US is on an increasing momentum. Building an overall balanced trade account will help the economy become more stable and enhance its resilience against peripheral shocks like the COVID-19 pandemic.

It remains unclear when the current global coronavirus crisis is over and when its indirect effects on the economy will be addressed. Therefore, experts emphasised an urgent need for the Vietnamese economy to promptly seize opportunities and take actions to diversify the markets, thereby reducing the severity of risks faced. In this regard, the EVFTA may be vital, alongside other international deals such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Making sound preparations for long-term benefits

According to Dr. John Walsh (RMIT University Vietnam), the EVFTA is the most stable agreement for Vietnam because it sets stricter rules, which all partners are required to abide by. That means there will be fewer opportunities for countries to pursue short-term gains, whether intentional or not. The new-generation FTAs will also give Vietnam the chance to enhance its position on the global trade map, beyond advantages such as low labour costs or abundant agricultural resources, to work towards technology transfer and taking advantage of skills of young labour force. The competitiveness of Vietnam's strong products will be further strengthened as the energy industry is transformed to meet low carbon emissions standards. Moreover, when the Vietnamese economy and consumers become familiar with imported goods from the EU in new areas, the retail and distribution industry will be

empowered to prepare to welcome other products in similar categories from around the world.

Dr. Nguyen Quang Trung said that Vietnam is the second ASEAN member nation to sign an FTA with the EU. However, such determination needs to be accompanied by fast, decisive and reliable actions to help the economy to thrive further. Seven years after the EVFTA comes into effect, the EU will eliminate more than 99% of tariff lines, equivalent to more than 99% of Vietnam's export revenue to this market. Vietnamese companies will also benefit from superior EU products at low prices and can use them in their production processes, thereby improving output and profits of Vietnam's export goods. As product competitiveness increases, Vietnam will have stronger foundations to boost trade through the harmonisation of legal conditions, rules of origin, and customs management and administrative provisions, as

well as the recognition of each other's appropriate standards and regulations. However, Vietnam will also face challenges from the requirements of new agreements. The private sector must be prepared to meet the challenges of upgrading supply chains and value chains, aiming to ensure that all links in the chains will best comply with international practices.

According to the Ministry of Planning and Investment, the EVFTA is expected to help Vietnam's export revenue to the EU expand by 42.7% by 2025 and 44.37% by 2030 compared to the no-deal scenario. In addition, Vietnam's total export turnover is expected to grow by an average of 5.21-8.17% in the first five years of implementing the agreement, 11.12-15.27% in the next five-year period, and 17.98-21.95% for the subsequent five years.

4. Promoting trade through Vietnamese communities in India and Nepal

This was the third time within a month that a workshop on the Indian market had been held by Vietrade in collaboration with the relevant parties, as India and Nepal are two large markets which Vietnamese enterprises have yet to fully tap into.

Le Hoang Tai, the agency's deputy director, stated that in a new situation, diversifying markets and avoiding reliance on a single main market are key to sustainable development.

India has a population of nearly 1.4 billion people and is Vietnam's tenth largest trading partner while Nepal, with which Vietnam's trade remains limited, still has ample room for cooperation.

In order to access these two South Asian markets, one of the most important channels is through the Vietnamese business communities there.

Such communities can join forces with domestic enterprises so that Vietnamese goods can penetrate more deeply into India and Nepal.

In the past, Vietnam had always run a trade deficit with India, but Vietnam has recorded a surplus since 2018, with US\$300 million reported in the first four months of 2020.

The Vietnamese goods with strong potential for export to India include dragon fruits, cashew nuts, catfish, pepper and other spices.

5. Bac Giang ready for consumption of lychee in 2020 season

The northern province of Bac Giang has over 28,000ha of lychee with an estimated volume of over 160,000 tonnes, up 10,000 tonnes compared to 2019.

This season is expected to see a harvest of 45,000 tonnes of early maturing lychee and 115,000 tonnes of lychee from the main crop.

The harvest time for early maturing lychee is scheduled from May 10 to June 10 and the main crop is scheduled for harvest from June 10.

The Department of Industry and Trade of Bac Giang Province said that large distribution groups such as Aoen, Central Group, Mega Market and Big C have worked with local lychee traders in Bac

Giang in preparation for the signing of purchasing contracts.

These groups will export Bac Giang lychee to the markets of Thailand, Singapore, the US and the EU.

In addition, 28 other distribution companies, 6 wholesale markets, and 31 enterprises and cooperatives both in and outside the province have registered to consume this season's lychee.

The Bac Giang Province's Department of Industry and Trade and Department of Information and Communications have jointly built plans to hold an online promotion conference on a national

scale and at two locations in China to boost the consumption of the local lychee.

By May 18, 250 Chinese traders registered to come Luc Ngan District to buy lychee.

The management board of the Lao Cai economic zone has also devised a plan to set aside a special lane for vehicles transporting Bac Giang lychee through Kim Thanh Border Gate No.2 for export to China.

In particular, Bac Giang authorities have coordinated with the Plant Protection Department to complete procedures to export the first batch of fresh lychee to Japan in this season.

6. Accelerating the economy after the pandemic

Only 2.9% of enterprises have received support

According to the survey of the Ministry of Planning and Investment (MPI), 88% of enterprises said that the Government solutions outlined in the Directive 11 are appropriate, particularly those that help stabilise the prices of commodities controlled by the State which also act as inputs for production in the first and second quarter of the year as well as the exemption and reduction of interest rates and bank fees.

However, the implementation of supporting measures has revealed inadequacies. Minister of Planning and Investment Nguyen Chi Dung said that the smaller the enterprise, the more difficult it seem to be to access the support policies. By the end of April, only 2.9% of enterprises officially received support from the Government policies. About 21.2% of enterprises knew about the Government Directive and were given instructions but have not yet taken any action while 64.6% of enterprises knew about the support policies but have yet to access such policies.

Chairman of the Vietnam Chamber of Commerce and Industry (VCCI) Vu Tien Loc said that the business community all wishes that the support packages will be quickly implemented in a transparent manner so that enterprises will have a greater chance to survive.

In addition, the disbursement of public investment of about US\$30 billion is also expected to create impetus in the economy to recover after the pandemic. If we can promote institutions and mobilise social resources, the targeted GDP growth of over 5% will be achievable in this year.

Chairman of the Vietnam Association of Small and Medium Enterprises Nguyen Van Than said that the 28 credit guarantee funds across the country have a total capital of only VND1,450 billion which is too small given to the needs of the business community, especially in the context of post-pandemic. Therefore, the Association proposed the Government should quickly increase the financial and human resource for these funds, while reducing lending guarantee procedures to share in the difficulties experienced by the banking sector.

In addition, public investment projects need to reduce bidding procedures and be split up so that domestic enterprises, especially small and medium-sized enterprises, have the opportunity to participate. In addition to reducing VAT and exempting corporate income tax for small and micro enterprises in 2020, the Government needs to promote the domestic market and the campaign of "Vietnamese people prioritising using Vietnamese goods".

Chairman of the Board of Directors of VietinBank Le Duc Tho said that VietinBank and other commercial banks have implemented many

preferential credit programmes with lower interest rates and service fees to share difficulties with customers affected by the pandemic.

However, the banking industry itself is facing difficulties due to customers' inability to pay due debts, increasing the risk of non-performing debt. Therefore, the banking sector needs the companionship of businesses in addition to timely and supportive solutions from the Government. Enterprises need to build and implement projects that are really feasible while proving their difficulties to avoid profiteering.

In addition, it is recommended that the Government approve a plan to increase equity capital for State-owned commercial banks to help them expand credit growth, provide capital for the economy, and help businesses overcome their difficulties.

The Government should also increase the efficiency of public investment through connecting the banking sector with the planning, investment and finance sector.

Numerous new opportunities

A noteworthy signal is that the prestige and position of Vietnam have been highly appreciated by the international community for the successes achieved following the prevention and control of the COVID-19 pandemic.

The MPI said that this is a "golden opportunity" for the world to know about Vietnam as a safe investment destination and its readiness to receive capital inflows. In the context of complicated developments of the coronavirus in many countries around the world, the control of the disease in Vietnam has created a great advantage for the country to take the lead in recovering economically and establishing a new position in the international arena.

Chairman of the European Chamber of Commerce (EuroCham) in Vietnam Nicolas Audier said that strong measures against the COVID-19 pandemic, including timely public health measures and effective economic support packages have turned Vietnam into a model country in terms of COVID-19.

These moves have helped Vietnam maintain its economic growth pace, increase the attraction of foreign direct investment (FDI), and maintain the confidence of the European business community.

It can be seen that Vietnam is currently in a good position to welcome new business and investment opportunities and promote stable economic development. However, the implementation of economic stimulus packages is also crucial at this time because Vietnam is a developing market and highly dependent on global demand. While the pandemic has been gradually pushed back in Vietnam, many other countries, including developed economies, have not yet reached the peak of their epidemic.

Vietnam should not only protect domestic enterprises but also support foreign enterprises, an important growth driver of the country, with a focus particularly on export activities, when the pandemic is controlled and global trade is back to normal. With the ratification of the EU-Vietnam Free Trade Agreement (EVFTA), European businesses look forward to further strengthening trade relations between Vietnam and the EU.

Chairman of the Vietnam Association of Seafood Exporters and Producers (VASEP) Truong Dinh Hoe said that, although heavily affected by the pandemic, the seafood sector is also witnessing new opportunities as the disease is gradually brought under control. Major seafood exporting countries such as India, Ecuador and others are in a state of blockade due to the pandemic and have had to reduce by up to 50% of their production and export output.

Meanwhile, the supply chain of essential materials for domestic aquaculture and aquatic processing is almost completely no longer dependent on the Chinese market. The support industries for domestic fishery production are seeing good development opportunities in Vietnam, thereby creating the conditions for seafood enterprises to be more proactive in their production.

VASEP recommends that the Government continue to promote policies in support of businesses affected by the pandemic, including shrimp farmers and fishermen so as to catch up with market demand in this July and August.

Corporate News

7. Former wife of Hoa Sen boss wants to sell entire HSG holding

↓ -2.73%

Hoang Xuan Huong, the former wife of Hoa Sen Group's chairman Le Phuoc Vu, has just registered to sell her entire 7.15 million HSG stocks, equalling 1.54 per cent of the company's charter capital. The transaction will take place under the form of private placement and auction. The trading timeline is from May 22 to June 20.

Ending the session on May 20, its stock was at VND9,530 (41.43 US cents), down 1.75 per cent against the previous session. Based on this price, Huong may get nearly VND70 billion (\$3 million) from the deal.

Huong purchased the 7.15 million stocks in late 2018. In the same year, Tam Thien Tam One Member Limited Company (also operated by her)

divested all 24.2 million HSG stocks. At the time, her company was a large shareholder of Hoa Sen Group.

HSG stock rose from the bottom of VND4,330 (18.8 US cents) in late March this year to nearly VND10,000 (43.48 US cents) per share, the highest price from October 2018.

Its stock was buoyed by many positive signs stemming from the steel company reaching about VND90 billion (\$3.91 million) of after-tax profit in April. Accordingly, its accumulated losses during the first seven months of the fiscal year (starting in October) hit VND472 billion (\$20.5 million), exceeding the target of VND400 billion (\$17.4 million) for the 2020 fiscal year.

8. KBC: Plan for issuing VND400 billion of bonds to the public

↓ -0.38%

On May 20, 2020, the Board of Directors of Kinh Bac City Development Holding Corporation approved a plan for public offering of bonds in 2020 as follows:

Bond name: Bond of Kinh Bac City Development Holding Corporation or KBC2020.DC

Bond type: non-convertible, secured bond, no warrants

Face value: VND100,000/bond

Offering price: at least 100% par value

Currency unit: VND

Bond form: book-entry and certificate

Bond term: 18 months

Maximum offering volume: 4,000,000 bonds

Maximum offering value: VND400,000,000,000.

Interest rate: 11%

Interest payment period: once every 06 months.

Consulting company: Agribank Securities Corporation

Consulting firm: Hochiminh City Securities Corporation

Issue agent: Hochiminh City Securities Corporation

Depository agent; Collateral management agent: Hochiminh City Securities Corporation.

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