VIETNAM DAILY NEWS

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Market Analysis

1. Share set to increase, facing corrections

The Vietnamese stock market is forecast to move higher this week, where correction and volatility are expected, analysts said.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HOSE) decreased 1.16 per cent to end at 852.74 points.

The index had gained 3.1 per cent last week.

An average of 308.2 million shares were traded on the southern exchange during each session last week, worth VND5.5 trillion.

"The VN-Index is forecast to head toward resistance 860-880 points early next week, where there could be adjustments," said Nguyen Duc Hoang, market strategy analyst at Bao Viet Securities Company (BVSC).

"The market is also expected to fluctuate widely next week with the review session of EFTs tracking MSCI," Hoang said.

"Foreign investors have also balanced out their net buying and selling activities recently," he added.

"Stock exposure should be maintained at 30-40 per cent of the portfolio. Investors should continue to hold current positions and hold off on buying new stocks. They should consider selling short-term positions at the resistance 860-880 points zone," he said.

Since the beginning of April, the VN-Index had increased by 30 per cent, said Nguyen Hong Khanh, head of market analysis at Viet Nam International Securities Joint Stock Company (VIS).

"It can be seen that VN-Index recorded strong gains during the first four sessions last week but the cash flow was gradually weakened. The collapse in the last session of the week was inevitable when the ability to absorb stocks decreased while profit-taking pressure increased," Khanh said.

"Investors wait for some notable events on the international market this week, including rising conflicts between the US and China over Hong Kong and Taiwan issues. The US has just passed a ban on Chinese companies from listing shares on the US exchanges or raising money from US investors if they do not obey Washington's audit standards," Khanh said.

According to Ngo Quoc Hung, professional senior market researcher, Market Strategy Division, MBS Securities, the domestic stock market had witnessed the third increasing week in a row.

"A new large cash flow has been poured into the market thanks to the new trading accounts opened in March and April. Therefore, it is likely that the market will continue going up this week but the profit-taking pressure will increase when the market enters the area of 863 points," Hung said.

"The VN-Index increased by 3.11 per cent last week but the liquidity decreased in most index groups, showing that investors have become more cautious," Hung said.

"In Q1, most of the industries were strongly affected by the coronavirus crisis, with the most significant ones being retail, aviation, textile, fishery, transportation and banking," said Nguyen Hong Khanh, head of market analysis at Viet Nam International Securities Joint Stock Company (VIS).

Last week, the banking group was the main pillar leading the market up. Most stocks in the industry marked a successful trading week such as Vietcombank (VCB), Vietinbank (CTG), Techcombank (TCB) and Bank for Investment and Development of Viet Nam (BID).

The steel group also outperformed last week. Big players of Nam Kim Group (NKG), Hoa Phat Group (HPG) and Hoa Sen Group (HSG) made impressive breakthroughs. HPG led the way with a strong increase of 16 per cent, HSG recorded an increase of nearly 10 per cent.

The minor HNX-Index on the Ha Noi Stock Exchange (HNX) rose 1.23 per cent to close Friday at 107.04 points.

The northern market index had lost a total of 1.82 per cent last week.

An average of 62.9 million shares were traded on the exchange during each session last week, worth VND640 billion. — VNS.

Macro & Policies

2. Overseas investors ramp up preparations for post-pandemic operations

The impact of the coronavirus pandemic on foreign investment inflows in Vietnam has been noticeable. However, a rise in additional investment in existing projects in the first four months of the year has been a highlight in a bleak foreign investment picture, showing unbroken trust in the investment environment and their long-term commitment to Vietnam.

The latest report from the Foreign Investment Agency under the Ministry of Planning and Investment showed that in the first four months of 2020, about 335 capital-adjusted projects recorded an added investment of more than $3.07 billion, up 45.6 per cent on-year. However, total newly- registered capital hit $6.8 billion, down 9.1 per cent on-year.

Several notable moves were made just before the globe was affected by coronavirus, with many groups looking to get back on track as soon as possible. Recently, Thailand-based SCG gained approval to pump an additional $1.39 billion into Long Son Petrochemical Complex located in the southern province of Ba Ria-Vung Tau, increasing the total investment capital to $5.1 billion.

The new investment in the Long Son complex is expected to breathe new life into the venture which is running significantly behind schedule. The project's construction began in early 2018. Last year, SCG vowed to put the project into operation in late 2022.

The integrated complex will have a total olefin production capacity of 1.6 million tonnes a year and will create more than 20,000 jobs during construction, including more than 1,000 skilled positions. It is expected to contribute around $60 million to the annual state budget.

In February, German bearing and industrial equipment manufacturer Schaeffler Vietnam inaugurated its $50 million new plant at Amata Industrial Park in the southern province of Dong Nai, setting a solid foothold in Vietnam with the total registered investment capital of $160 million. Helmut Bode, general director of Schaeffler Group in the Asia-Pacific, said the facility will produce robotic components to orders by businesses from across the world.

Georg F. W. Schaeffler, chairman of the group, added that Vietnam has a strategic location in Asia and a diversified, stable, and fast-growing economy with a talented and well-educated workforce, which was why the company chose the country to build its first manufacturing plant in Southeast Asia.

Meanwhile, Bosch Vietnam has expanded investment in its existing manufacturing facility in Dong Nai, increasing the company's total registered capital in Vietnam to $530 million. As of now, the group has disbursed $195 million of this, from the initial $54 million figure.

The production capacity of the factory has also been continuously extended, with the annual initial capacity rising from 1.6 million to 26 million transmission belts, satisfying Bosch's global manufacturing and quality standards.

The investment and the company's continuous growth in the past 10 years has shown Bosch's long-term commitment to further strengthening its presence in Vietnam.

"The group will pour an additional $100 million in the manufacturing facility in Dong Nai in the next five years to expand the operation of the transmission belt as well as modernise manufacturing lines," said Mallikarjuna Guru, general director of Bosch Vietnam.

3. World-famous resilience keeps up M&A appetite

Can the pandemic help speed up mergers and acquisitions (M&A) deals for foreign dealmakers in the coming months as cash-starved Vietnamese companies seek funding to overcome their difficulties?

The M&A market in Vietnam is strong and vibrant. In short, this is because Vietnam has for some time been an attractive destination for foreign investors, and M&A deals are considered one of the most effective forms of market entry. For this reason, M&A transactions have grown in recent years – the total value of M&A deals reached $1.9 billion in the first six months of 2019 – and should continue to do so even after the COVID-19 pandemic. It is possible that the pandemic could speed up M&A deals as some companies will become more attractive. However, this is just continuing the trend of foreign investment in Vietnam which started some years ago as the country's economic growth put it on the map of international enterprises, and has since accelerated with the US-China trade war and the potential of various free trade agreements in place.

Vietnam's swift and successful reaction to the pandemic, which has been applauded around the world, has reaffirmed that this is one of the safest and most attractive places to do business for international investors. Indeed, Vietnam is now opening up again, after tough but effective social isolation measures.

This means that companies are now better able to return to normal, profitable business operations compared to elsewhere in the world where restrictions to business operations are still in place, and this is contributing to an increasing interest in M&A activities. In fact, Vietnam could find itself in a fortunate position. Investors in other parts of the world which have been less successful in tackling the pandemic, and are now facing severe short-term economic shocks in their home countries, look for new opportunities in more attractive markets. Vietnam, where GDP growth of around 5 per cent is predicted, could benefit in this scenario.

The health crisis has created both pros and cons for M&A, so how will it impact M&A transactions in 2020 in Vietnam?

We have seen some M&A transactions temporarily put on hold because of COVID-19, however, many others never stopped and are still proceeding as normal. The fact that Vietnam was able to return to normal business operations so soon compared to other countries has helped in this regard and reaffirmed its reputation as a safe, competitive, and attractive place in which to do business. Of course, despite the significant short-term disruption of COVID-19, Vietnam also holds some longer-term advantages for foreign investors.

For instance, the EU-Vietnam Free Trade Agreement (EVFTA) should shortly be ratified, after an upcoming vote in the National Assembly of Vietnam. Many European investors will want to position themselves in Vietnam in order to unlock the full benefits of this agreement.

In particular, the EVFTA will open up new opportunities for European investors. For instance, within five years of its entry into force, EU banks could invest up to 49 per cent in some joint-stock commercial banks. Other sectors which will soon be further opened to EU investors include higher education and telecommunications – both of which have high potential for growth in the future.

The EU and other regions are increasingly worried that businesses will be vulnerable to hostile takeover bids from overseas investors. Are there any concerns over Vietnam's private equity industry, which could be sitting on a cash pile worth millions of dollars?

Europe has been hit particularly hard by the coronavirus, so some European companies could see an increased interest in M&A deals from foreign investors. However, Vietnam is one of the few countries that is forecast to see positive economic growth in 2020. So, there should be no worries about so-called hostile takeovers – just an increase in foreign investment from companies looking for a safe, secure, competitive, and business-friendly market in which to invest.

Vietnamese private equity companies with significant cash reserves could react quickly to developments in the market, which will undoubtedly be unpredictable as the impacts of COVID-19 continue to impact international markets and global trade.

4. VN to import 20,000 pigs from Thailand

First detected in February 2019, the outbreak has forced the culling of around six million pigs, or 20% of Viet Nam's pig herd, resulting in higher pork prices and putting upward pressure on inflation.

While not harmful to humans, the African swine fever is deadly to pigs, with no available vaccine.

Deputy Minister of Agriculture and Rural Development Phung Duc Tien said this was the first shipment of 20,000 pigs to be imported from Thailand this year.

Tien said that domestic piglet prices are currently very high, from VND2.8 million (US$120) to more than VND3 million (US$128.6) each, however many localities have failed to meet farmers' demands.

The government said in March that Viet Nam's inflation could be at 4.22% this year if pork prices can be cut in the country, where pork accounts for three-quarters of meat consumption.

5. Unaware of benefits, customers fail to make motorbike insurance claims

They note that the claims ratio on compulsory motorbike insurance policies was just 6 percent last year, several times lower than other kinds of non-life insurance.

Revenue from compulsory motorbike insurance schemes was VND829 billion ($35 million) last year, while compensation paid was just VND50 billion ($2 million), a ratio of 6 percent, according to the Department of Insurance Administration and Supervision.

Tran Nguyen Dan, head of insurance academy IFRM, said that this is an unusually low claims ratio compared to 40-70 percent in other types of non-life insurance.

The low ratio allows insurance companies to pay commissions of up to 50-60 percent of insurance value to dealerships, exceeding the 20 percent threshold set by the Finance Ministry.

"Insurance companies, instead of providing more benefits to buyers, are increasing commissions to boost sales so they could gain more market share," Dan said.

Industry insiders say that insurance companies in Vietnam often hire non-professional agents to sell motorbike insurance certificates. These insurance vendors often sit by the road and sell these certificates without explaining to buyers what their benefits are.

Many drivers in Vietnam only buy motorbike insurance to show the police and do not expect any compensation in case of an accident because they either do not know their rights and/or they are wary of the complicated process and paperwork involved.

Phung Ngoc Khanh, head of the insurance administration department, said that the complicated paperwork creates difficulties in claiming compensation, resulting in the low claims ratio.

Moreover, the compensation value does not match the rising costs of medical and repair services, he said.

Even though Vietnam has been requiring motorbike drivers to purchase compulsory insurance for 10 years, only 30 percent of the country's 60 million motorbikes have bought the policies, Khanh said. This ratio among cars is 90 percent.

Khanh said that the Finance Ministry will propose changes in regulations to simplify paperwork for motorbike owners and increase the responsibility of companies.

Dan said that insurance companies have not been proactive in responding to accidents, resulting in buyers not benefiting from their insurance policies.

Companies should provide more support for buyers, for example, by sending staff to an accident scene to evaluate vehicle damage, among other things, he added.

6. Promoting Vietnam as a safe place to welcome foreign tourists

Vietnam's tourism sector is expected to resume welcoming inbound travelers sooner than many other countries in the region will do thanks to the success in containing the pandemic. “Vietnam is a safe place” would be the new slogan, said businesses and insiders at the recent conference on post-Covid-19 solutions for the tourism industry.

At the conference titled “Solutions promoting domestic tourism and recover international tourists” held on May 21, Steve Wolstenholme, CEO of Hoi An South Development (Hoiana), suggested that Vietnam needs to communicate the message “Vietnam is a safe place” and has to safeguard those who work in the industry.

Sharing the same idea, Vice President of Lodgis Hospitality Holdings Vietnam Craig Douglas added that Vietnam needs to take the opportunity to promote itself as a safe tourism corridor to attract tourists.

Kenneth Atkinson, vice president of the Tourism Advisory Board (TAB), underlined that Vietnam could learn from experiences of Australia, New Zealand and Thailand on creating specific resorts meeting anti-pandemic safety standards to accommodate international tourists.

Safety is of utmost priority for the tourism industry when it is re-opened to tourists, Nguyen Le Phuc, deputy general director of the Vietnam National Administration of Tourism (VNAT), affirmed at the conference.

“To achieve this target, the industry could apply technology for controlling the pandemic. At this time, the VNAT is implementing a communication plan on safe tourist destinations to lure tourists,” Phuc added. “Travel businesses are encouraged to devise sets of criteria on the safety and safe tourist destinations by themselves as well as cooperate with each other for better promotion.”

Trinh Hong Quang, deputy CEO of national flag carrier Vietnam Airlines, added that local businesses should take advantage of Vietnam's successful control against the Covid-19 pandemic to build new product packages that focuse on the safety of the tourists.

Since the social distancing order was loosened, travel businesses have offered in unison promotional programs to attract domestic travelers. However, local insiders commented that this is only a short-term solution. For long-term ones, it is important to lure foreign travelers due to their high spending and purchasing power.

Le Quang Tung, deputy minister of Culture, Sports and Tourism, concluded that Vietnam needs to communicate the safe destination images to the world. In addition, businesses need to work together to develop and take advantage of opportunities to revive the Vietnamese tourism industry.

The Ministry of Culture, Sports and Tourism will, based on the collaboration with relevant agencies, build a schedule for reopening the industry, Tung said.

In the first four months of 2020, international arrivals to Vietnam plunged 37.8% year-on-year to 3.7 million, according to the General Statistics Office.

In April alone, the number of tourists fell 98.2% from a year earlier and 94.2% against March. The pandemic impacted on the whole tourism industry and its goal of welcoming about 20.5 million international visitors this year is highly unlikely.

Corporate News

7. Gelex CEO to raise ownership

↑ 1.18%

The firm's CEO will buy 15 million shares from May 26 to June 24, equal to 3.0722 per cent of the company's total outstanding shares.

The company has recently announced a plan to sell its logistics arm in the third quarter of the year in an attempt to restructure its portfolio and focus more on electrical equipment and infrastructure sectors.

Gelex has also decided to offload a 20.25 per cent stake in Đồng Nai Port JSC.

Gelex shares, listed on the Hồ Chí Minh Stock Exchange with code GEX, gained 1.5 per cent to trade at VNĐ17,150 (US$0.73) apiece on Friday. Shares have gained 14.3 per cent in the last three weeks.

In January-March, Gelex earned VNĐ3.5 trillion ($150 million) worth of net revenue, up 14.2 per cent on-year. But net profit dropped 43 per cent on-year to VNĐ93.5 billion due to increased selling, financial and management expenses.

8. CSV: Resolution on the dividend payment

↓ -1.81%

The Board of Directors of South Basic Chemicals Joint Stock Company approved to pay for the 3rd of 2019 dividend in cash:

- Record date: June 15, 2020
- Payment date: June 25, 2020
- Dividend pay-out ratio: 5%/ par value (VND500/ share)
- Place & procedure of payment:

-Shareholders whose shares have been deposited: at the securities firms where the shares have been deposited.

-Shareholders whose shares have not been deposited: South Basic Chemicals Joint Stock Company.

Please submit ID card and Shareholder certificates or the legal authorized letters on receipt of dividend.

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