



VIETNAM DAILY NEWS

June 11th, 2020



Table of content

Table of content

1. Financial, banking stocks drive market up
2. EVFTA: Vietnamese steel companies seek export opportunities
3. Government's regulatory support boosts wind power development
4. Vietnam prepares to reopen doors to international tourists
5. Germany helps Vietnam tap into biomass potential
6. Vietnam firms suggested to focus on supply chain strategy for long-term resilience
7. COVID-19 to create an M&A wave in Viet Nam
8. VRE: VRE signs an Auditing Contract
9. STG: BOD resolution on transferring shares in MHC JSC

Market Analysis

1. Financial, banking stocks drive market up

The financial-banking sector's growth remained strong to keep Vietnamese shares steady at a three-month high on Wednesday afternoon.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange was little changed on Wednesday, closing up only 0.06 per cent at the three-month high of 900.00 points.

The VN-Index slid 0.05 per cent on Tuesday.

More than 542.8 million shares were traded on the southern bourse, worth VND7.13 trillion (US\$309.2 million). Of which, order-matching transactions were worth VND6.37 trillion.

After being hit in the early period of the day, the VN-Index bounced back quickly to the 900-point level on the purchase of low-priced stocks.

The blue-chip tracker VN30-Index increased by 0.25 per cent and the small-cap and mid-cap trackers advanced 1.58 per cent and 1.03 per cent, respectively.

Financial-banking stocks spearheaded the market rebound and kept the VN-Index stable at 900 points.

The sub-indices that track banks, insurers and securities firms' performances gained between 0.3 per cent and 1.1 per cent, according to vietstock.vn.

Gainers in the three sectors included Vietinbank (CTG), Techcombank (TCB), Military Bank (MBB), TPBank (TPB), insurer Bao Viet Holdings (BVH), SSI Securities (SSI) and VietCapital Securities (VCI).

Retailers, agriculture businesses, building contractors, and hospitality and tourism companies also performed well.

On the opposite side, technology, healthcare and pharmaceuticals, food and beverage, and seafood industries weighed on the stock market.

Foreign investors net-bought VND187.2 billion worth of Vietnamese shares. They net-sold a total of VND300 billion worth of local shares on Tuesday.

After an early struggle, the market balanced at the end of the day and investors were calm enough to buy in stocks that were sold at low prices, Sai Gon-Ha Noi Securities (SHS) said in its daily report.

Well-maintained liquidity on Wednesday proves investors are still available and willing to jump in the market whenever a correction starts, SHS said.

"The market sentiment has become better. But there is not much room for further market growth."

The next test for the VN-Index is 910 points, SHS forecast, adding it may fall back to 880 points in the short term.

On the Ha Noi Stock Exchange, the minor HNX-Index rose 0.46 per cent to end Wednesday at 120.68 points.

The northern market index has rallied a total of nearly 6.20 per cent in the last six trading days.

Nearly 75 million shares were traded on the northern bourse, worth nearly VND779 billion.

Macro & Policies

2. EVFTA: Vietnamese steel companies seek export opportunities

The European market is expected to become a key target of Vietnamese steel exporters when the EU-Vietnam Free Trade Agreement (EVFTA) fully comes into effect, insiders have said.

Steel is one of the sectors forecast to benefit the most from the agreement.

According to the latest report from the Vietnam Steel Association (VSA), Vietnam has exported over 815,000 tonnes of steel worth 454 million USD so far this year, up 47 percent in volume and 24 percent in value year-on-year.

However, the country primarily exports to Southeast Asian countries with 494,000 tonnes worth 263 million USD this year, accounting for 60 percent of total export volumes and 57.8 percent of export turnover.

Though export data for the steel industry is much rosier than in 2019, exports to the EU have fallen by more than half compared to the same period last year.

With tariff preferences to follow when the EVFTA comes into being, the EU will be a major market for Vietnamese steel companies in particular and those in other sectors in general.

Experts said that to fully tap into the opportunities presented by the trade pact, Vietnam needs to pay due regard to improving its institutions and the competitiveness of its businesses, while strengthening market research and supply and demand forecasts.

A representative from the Hoa Phat Group - the largest steel maker in Vietnam - said that in the context of international integration, businesses themselves must improve their product competitiveness by raising quality, reducing prices, and ensuring delivery times are met.

According to the Ministry of Industry and Trade, the EVFTA will help increase Vietnam's export turnover to the EU by about 20 percent this year, 42.7 percent in 2025, and 44.37 percent in 2030. It will also contribute to increasing the country's GDP by 2.18 - 3.25 percent in the 2019-2023 period, 4.57 - 5.30 percent in 2024-2028, and 7.07 - 7.72 percent in 2029-2033.

3. Government's regulatory support boosts wind power development

The Prime Minister issued a resolution in March 2020 over a five-year plan to develop renewable energy sources off the coast, with specific mechanisms and policies to attract both foreign and local developers to invest in the sector.

The offshore wind sector was also emphasized in the National Energy Development Strategy of Vietnam until 2030, and the Government is in the process of amending the seabed lease and licensing requirements for large-scale offshore wind farms alongside the Ministry of Natural Resources and Environment.

The Ministry of Industry and Trade has proposed including several wind projects in the upcoming Power Development Plan and extending the feed-

in-tariff deadlines for wind power projects by two years until 2023, from the original commercial operation date deadline in November 2021.

This extension aims to support investors, whose wind power projects have been postponed and will not be completed on time due to the negative impacts of Covid-19, including supply chain disruptions, labor shortages and suspended construction.

Fitch Solutions expects the Government to announce a new Power Development Plan this month with renewable energy and a special focus on wind power.

According to the Netherlands Enterprise Agency, Vietnam is considered to have the best wind resources in Southeast Asia, especially in coastal regions in the south. In these areas, the yearly average wind speeds are measured at 9 to 10 meters per second.

Binh Thuan Province in the south-central coastal region and Tra Vinh, Bac Lieu and Soc Trang provinces in the southern coastal region have the highest potential for wind power.

Due to both rapid industrialization and remarkable economic growth, the demand for electricity in Vietnam is annually increasing at 10%. The Vietnamese Government has formulated ambitious goals for renewable energy, especially wind energy, which is presented as an important renewable energy source for the future.

According to data from the Ministry of Industry and Trade, there are currently 11 wind power projects

operational in the country, with a total capacity of 377 megawatts (MW), and over 31 projects with a total capacity of 1,660 MW are scheduled for operation in 2020 or 2021.

Capacity targets for the country's wind energy sector are expected to increase to 6GW by 2025 and 10GW by 2030 from the existing 2GW and 6GW, respectively. The Government is also looking to introduce a new Direct Power Purchase Agreement, where renewable energy producers can sell and deliver electricity directly to corporate customers.

"We believe these developments will encourage further growth and investment in the sector. We have already seen growing investor interest across Vietnam's wind sector over the past year, which has strengthened the pipeline significantly," concluded Fitch Solutions experts.

4. Vietnam prepares to reopen doors to international tourists

However, the exact date for reopening the tourism market to foreign tourists remains unknown.

Prime Minister Nguyen Xuan Phuc has tasked the national steering committee for Covid-19 infection prevention and control with identifying countries and regions that have reported no new Covid-19 cases over the past 30 days so that Vietnam can resume flights there.

The prime minister has also assigned the Ministry of Culture, Sports and Tourism to work with other ministries and government departments to roll out plans to reopen the tourism market to international tourists.

The Vietnam National Administration of Tourism said some countries such as Japan and South Korea have expressed their interest in reopening the tourism market.

Tung noted that getting the tourism industry back on track requires four steps including boosting

local tourism demand, welcoming a limited number of foreign tourists to certain resorts that have effective Covid-19 infection prevention and control measures, receiving tourists from countries that have effectively controlled the pandemic and eventually reopening the tourism market completely.

Based on the current global Covid-19 situation, he noted that the tourism sector of the Asian countries would recover first.

Regarding HCMC, the deputy minister advised the city to focus on key markets such as China, Taiwan, Japan, South Korea, Australia, New Zealand and Southeast Asian countries.

Tung remarked that the city should promote resorts that have separate villas and serviced apartments and offer quarantine services as well as in-room dining facilities.

5. Germany helps Vietnam tap into biomass potential

A seminar was held in Hanoi on June 9 to launch a German-funded project on climate protection through developing sustainable bioenergy markets (BEM) in Vietnam, with the aim of promoting the sustainable development of biomass resources for power production.

Lasting from 2019 to 2023, the project will be funded by the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety.

It is designed to help Vietnam realise energy targets set in the revised national power development plan VII, the green growth strategy, and the Politburo's Resolution No 55/NQ-TW on orientations in national energy development to 2030 with a vision to 2045.

Do Duc Quan, Vice Director of the Electricity and Renewable Energy Authority at the Ministry of Industry and Trade, told the seminar that Vietnam has abundant potential for biomass energy as an agricultural nation. The Government issued mechanisms and policies encouraging the development of the energy source in 2014 and amended them in 2020 to attract more private investment in the field.

Private engagement is expected to make it possible for Vietnam to increase its biomass energy share in power production to 2.1 percent by 2030 as planned, he added.

Jörg Rüger, First Secretary for the Environment at the German Embassy in Vietnam, said wind and solar power have showed strong growth potential in Vietnam but biomass energy is yet to receive suitable exploitation.

Increasing the number of biomass power plants would help Vietnam achieve its nationally determined contributions (NDCs), he noted.

The Paris Agreement, to which Vietnam is a signatory, requests that each country outline and communicate their post-2020 climate action, which are known as NDCs.

The BEM project works to support adjustments to the regulatory framework on planning and licensing biomass energy projects, particularly at the provincial level.

It will improve the private sector's capacity for the development of biomass investment projects and enhance financial institutions' capacity to finance biomass energy investment projects.

The project will also facilitate technology cooperation and networks between Vietnamese and international enterprises, research institutions, and universities on the use of biomass for electricity and heat generation.

6. Vietnam firms suggested to focus on supply chain strategy for long-term resilience

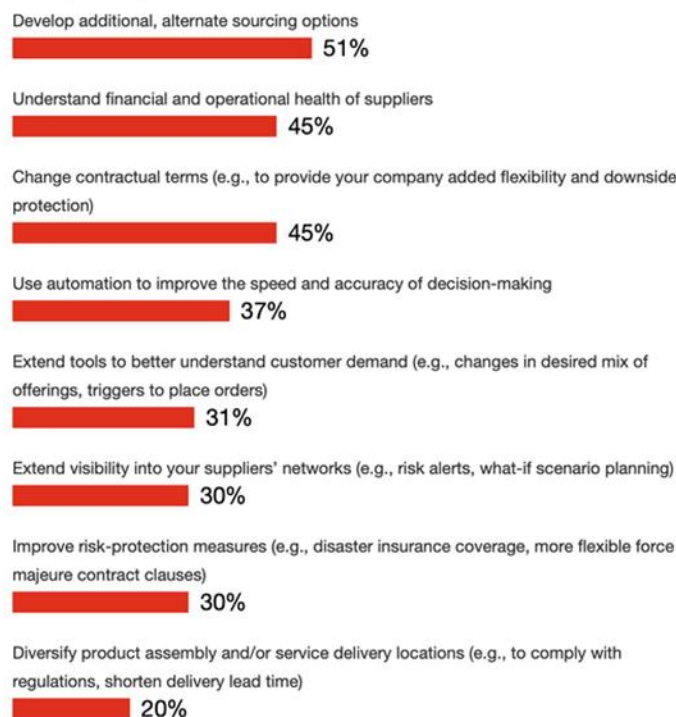
While Vietnam has moved from managing the Covid-19 crisis to leading through recovery, it is time for businesses to bring their supply chain strategy into sharper focus by asking how to build long-term resilience post pandemic, according to PwC Vietnam.

Supply chains today are made of many complex and interconnected links that when disruption happens, impacts will be felt on a human, social and economic level. The Covid-19 pandemic

exposed how vulnerable and interdependent the supply chain ecosystem is as we see its effects rippling across countries and industries.

With drastic shifts in demand and disruption in trade activities due to the consolidation of suppliers by geography, the impacts on companies' supply chain has been far-reaching and is no longer temporary.

As a result of COVID-19, in which of the following areas are you planning changes to your supply chain strategy? Please select the three most pressing areas.



Source: PwC COVID-19 CFO Pulse Survey, 4 May 2020.

Looking to the future, supply chain operations will need to move toward more comprehensive and proactive modeling.

This sentiment is reflected in recent May results from PwC's Global CFO Pulse Survey, where world CFOs expressed their plans for supply chain and wider third-party recalibration to better prepare for future shocks.

In particular, more than half (51%) of CFOs cite developing alternate sourcing options as the most pressing matter in their supply chain strategy. Meanwhile 45% CFOs expect to change contractual terms and 45% like to understand the financial and operational health of their current and future suppliers better.

Being among the first countries in the region to reopen its economy, Vietnam should take the advantage to build upon the foundations for proactive resilience, stated PwC.

With learnings from the outbreak, businesses need to leverage on their newfound agility. Supply chains of tomorrow no longer center around efficiency and cost management but rather on building a secure and resilient supply chain. Looking at the current situation strategically and aligning your supply chain actions smartly will likely pay off as a competitive advantage for businesses in the long run." said Grant Dennis, chairman of PwC Vietnam.

Companies should understand their position in the supply chains more deeply and in more dimensions. In its latest publication, Beyond COVID-19: Supply chain of tomorrow, PwC explored 10 major supply chain and third-party challenges which will result in the reconfigurations of the pre Covid-19 supply chain ecosystem:

10 supply chain and third-party challenges	
 Supply chain mapping and analytics	 Digital operations and cyber security
 Logistics and security	 Environmental, social and governance and regulatory compliance
 Distributors, agents and resellers	 Contract and commercial
 Critical labour availability in the supply and service chain ecosystem	 Claims and losses
 Financial health of suppliers and third-party service providers	 Tax

Source: PwC.

7. COVID-19 to create an M&A wave in Viet Nam

DOJI Gemstone Jewelry Group has completed the acquisition of Diamond World Company.

After the deal, more than 100 stores and nearly 1,000 employees of Diamond World Company now belong to DOJI.

Though the value of the deal has not been disclosed, most insiders thought the acquisition of a competitor in the top three local jewelry businesses in Viet Nam would have cost a significant sum.

In reality, Thu Duc Housing Development JSC also announced it had completed a deal to transfer its entire 49 per cent stake, or 1.813 million shares, at Thu Duc Agriculture Wholesale Market JSC in June.

At a price of VND48,400 (US\$2.1) each, the realty firm will get VND87.75 billion. Leaders of the firm said it sold the shares to focus on the core business of real estate development.

Also in the field of real estate, the investor of a 100ha resort project in Bau Trang in Phan Thiet City, Binh Thuan Province, had to sell the project

for VND480 billion as he did not have enough financial capacity to continue.

The investor told nld.vn that: "We cannot afford to continue as the planned capital was lost due to COVID-19. Now we sell it to focus on the core businesses of manufacturing."

Other M&A deals include Tuong An Vegetable Oil JSC looking to be merged with the parent company of Kido Group; while FLC Faros JSC merged with FLC Mining Investment - Asset Management JSC, and there are also reports about a possible merger between two local e-commerce platforms Tiki and Sendo.

Taking advantage of lower prices

Foreign investors spent an estimated US\$2.99 billion on contributing capital and buying shares in the first five months of the year. Though the volume of such activities was only 39.1 per cent compared to the same period last year, the value of the deals increased by 11.6 per cent from the first five months of 2019.

Vu Tien Loc, chairman of Viet Nam Chamber of Commerce and Industry (VCCI), said the US-China trade war and the pandemic had a great impact on the production chain shift and global investment flows, adding: "Many Vietnamese enterprises cannot avoid difficulties and are unable to continue operating. So, they will find ways to sell their businesses even at lower prices."

The chairman of VCCI said: "The capital inflow into M&A may be large, creating a strong wave but the value of the deals may not be as large as expected."

Su Ngoc Khuong, senior director of Savills Vietnam, said foreign and domestic investors were interested in acquiring real estate projects in Viet Nam, adding: "Many organisations are willing to raise capital to invest in projects with good prices."

Among deals that the firm helped consult on, with a total value of about \$500 million, since the end of 2019, many have closed more quickly than expected as the businesses desperately need money at the moment.

Raymond Clement, CEO of Savills Hotels Asia-Pacific, said the pandemic affected the flexibility of the resort real estate market, causing a number of large sales and transfers.

"It is likely that pandemic promotes realty M&A deals faster as buyers are willing to negotiate more suitable prices than before," said Clement.

At the same time, Pham Duy Khuong, managing director of ASL Law Firm identified COVID-19 as an additional factor to boost the trend of M&A, saying: "Domestic enterprises which don't have the financial strength and need a quick turnaround will find a partner to buy back their project or company as a way to solve their problem."

The lawyer also pointed out: "The procedure of establishing an enterprise in Viet Nam is quite troublesome, so instead of having to set up a new company, some investors will choose to buy back another to reduce costs."

Khuong said: "The pandemic is the right time to make companies lower prices to sell faster, which is easier in creating successful M&A deals."

At the same time, chairman of the Association of Foreign Investment Enterprises, Nguyen Mai said: "M&A is a new development trend in this period."

Mai thought Viet Nam should welcome all kinds of investment injection in such a difficult context, however, he said: "It is also necessary to have a strict control mechanism to avoid the risk of receiving bad capital flows or having important industries acquired."

Corporate News

8. VRE: VRE signs an Auditing Contract

↑ 0.18%

Vincom Retail Joint Stock Company has signed an auditing contract with KPMG Vietnam Limited

Company (KPMG) to audit its financial statements in 2020.

9. STG: BOD resolution on transferring shares in MHC JSC

↓ -1.29%

The Board resolution dated June 08, 2020, the Board of Directors of South Logistics Joint Stock Company approved to transfer 9,523,148 shares

(accounting for 22.99% charter capital) in MHC Joint Stock Company.

Research Team:**Tsugami Shoji**

Researcher

jsi@japan-sec.vn**Disclaimer:**

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn