



# VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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## Market Analysis

### 1. Local stocks surge on more stimulus hopes

Vietnamese shares' expansion continued on Thursday with banks taking the lead on expectations of further economic stimulus.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) rose 1.38 per cent to end at 876.46 points, extending its rally to a fifth day with total growth of 4.04 per cent.

Market sentiment was lifted after Prime Minister Nguyen Xuan Phuc, specialists and officials discussed more stimulus and incentive packages to help propel the economy, which has been hit hard by the COVID-19 pandemic.

The blue-chip tracker VN30-Index gained 1.49 per cent to 817.08 points and 28 of the 30 largest stocks by market capitalisation and trading liquidity finished Thursday on the positive side.

On the derivatives market, the VN30 futures that mature on July 16 were up 1.63 per cent to 815.20 points. Other VN30 futures gained between 21.4 per cent and 26.8 per cent.

Among large-cap gainers were brewer Sabeco (SAB), PetroVietnam Gas (GAS), retailer Phu Nhuan Jewellery JSC (PNJ), tech group FPT (FPT), insurer Bao Viet Holdings (BVH), and PetroVietnam Power Corp (POW).

Nine of the 10 banks listed on the southern bourse advanced with the best performers private equity institutions such as HDBank (HDB), VPBank (VPB), Techcombank (TCB), Sacombank (STB) and TPBank (TPB).

The mid-cap and small-cap trackers were up 1.6 per cent and 1.49 per cent, data on HoSE showed.

On a sector basis, the banking sector index finished Thursday up 1.5 per cent, according to vietstock.vn.

The information-technology, mining-energy, construction, retail, and seafood indices were up between 0.7 per cent and 3.9 per cent.

On the Ha Noi Stock Exchange, the HNX-Index increased by 1.57 per cent to close Thursday at 116.16 points.

The northern market index has advanced a total of 4.13 per cent since the beginning of the week.

More than 356.6 million shares were traded on the two exchanges, worth VND5.72 trillion (US\$247.7 million).

Foreign investors net-sold a total of VND162.6 billion of local shares on Thursday.

"The market may maintain its recovery trend in the short term toward 883-888 points," analyst Tran Xuan Bach at Bao Viet Securities Co said in a note.

After beating the resistance zone of 870-875 points, the market would go through a volatile period to retest the upcoming peak, he said.

With listed companies about to release their second-quarter earnings reports, the market would have "a wide divergence among sectors" and the momentum "is still facing difficulties," he said.

Attention will be driven into the groups of top-performing industries such as banks, securities firms, information-technology companies and steelmakers, Bach added.

## Macro & Policies

### 2. Việt Nam shrimp exports to surge as demand increases

Prices are also expected to be higher from the beginning of the third quarter of 2020 because of lower shrimp inventories in major markets such as Japan, the US and the EU than in previous months.

Shrimp supply in China is forecast to decrease due to the impact of shrimp disease. Lockdown in India which lasted until May has affected production, leading to unstable supplies. The pandemic has also affected the raw shrimp supply of Ecuador, Indonesia and Thailand, the association said, so the exports there have reduced by 30 per cent each country.

This is an opportunity for Việt Nam to promote its shrimp exports, it said. Farmers are still actively producing raw shrimp to meet enterprises' demand on material for shrimp export processing.

In addition, businesses have also enjoyed government support packages to help them to overcome difficulties caused by the pandemic and take advantages of opening market according to commitments of free trade agreement, especially EVFTA and CPTPP.

Shrimp exported to the EU would enjoy preferential tax breaks according to the Việt Nam-EU Free Trade Agreement (EVFTA).

The tariffs of most raw shrimp, including fresh, frozen and chilled products exported from Việt Nam into the EU would be gradually reduced from the basic rate of 12-20 per cent to zero after the agreement comes into effect in August this year. Meanwhile, import tariffs of processed shrimp will fall to zero after seven years.

With those advantages, VASEP expects shrimp export this year is likely to reach US\$3.8 billion, \$300 million higher than its previous forecast.

The Government needs to quickly implement supportive measures, especially credits for shrimp breeding farmers, VASEP Secretary General Trương Đình Hòa said.

It should also reduce loan interest rates, taxes and land rents and extending payment of them to help businesses restore production, he said.

However, according to VASEP, Việt Nam's shrimp exports are still facing many challenges in domestic and global markets. Local businesses need to focus on building links from raw material production to processing for managing food safety and hygiene and improving the competitiveness of products.

Hồ Quốc Lực, chairman of the Directorate Board of Fimex Vietnam, said the enterprises must ensure quality and strictly comply with all terms of the signed contracts such as delivery time and packaging design.

They also need to improve financial ability and production scale, and enhance trade promotion programmes to attract more customers, he said.

Meanwhile, local authorities must have many projects calling for investment in building shrimp farms with international quality standards. They also need to make investment in infrastructures such as electricity, irrigation and traffic roads, creating good conditions for high-quality shrimp production, he said.

According to VASEP, Việt Nam's shrimp export value in the first five months of this year reached US\$1.2 billion, up slightly by 2.3 per cent over the same period last year.

Of which, white leg shrimp and tiger prawn accounted for 69.5 per cent and 19.2 per cent of the total value, respectively. The high export value of white-leg shrimp during the pandemic was due to reasonable price, VASEP said.

In the first five months, the key export market for Vietnamese shrimp products included Japan, the EU, South Korea, China and the US. Of which, the shrimp exports to Japan, EU, and South Korea had the slowest growth and even reduced. Exports to the US, China and the UK recorded high growth and is expected to maintain the growth by this year end.

Shrimp exports to the US recorded a high growth of 29.5 per cent in May to \$65.8 million compared to May 2019. In the first five months, it reached \$224.5 million, up 20.4 per cent year on year.

Exports to Japan rose by 3.2 per cent to \$225.6 million.

Meanwhile, it declined by 7 per cent to \$162 million to the EU and 9.6 per cent to \$169 million to China in the first five months.

### 3. Public spending delays hamper economic growth

The country has earmarked nearly VND700 trillion (\$30.2 billion) for this year, but in the first six months it spent only 20 percent of it, according to the Ministry of Finance.

It also plans to spend VND60 trillion (\$2.6 billion) worth of official development assistance (ODA), but 22 provinces and cities have yet to spend a single dong from it so far this year.

Delays in public investment have been a feature for years with local authorities saying they have difficulty persuading people to sell their lands for public works. Some ministries have even proposed returning funds meant for public spending because they cannot spend them.

All this means many infrastructure works are delayed, including a 300-meter road near Hanoi's West Lake which is still not finished despite being approved 13 years ago.

Pham The Anh, chief economist at the Vietnam Institute for Economic and Policy Research, said

public investment has become even more important now that the economy needs a boost after the coronavirus breakout, which has disrupted trade and foreign investment.

If public funds are used judiciously, GDP growth could reach 5 percent this year, he said. Vietnam posted a decade-low growth rate of 1.8 percent in the first half.

Analysts at SSI Securities Corporation said public spending is the most efficient way to boost economic recovery.

The government is seeking to speed up disbursement. At a meeting on Tuesday Prime Minister Nguyen Xuan Phuc exhorted cities and provinces to make a stronger effort to spend funds, warning that if they could not their money would be handed over to others.

Public spending last year was VND270.2 trillion (\$11.6 billion), or just 67 percent of the target, according to the finance ministry.

### 4. First Vietnamese company receives HSBC green loan

The Duy Tan Plastics Corporation and HSBC Vietnam on July 8 signed a green credit deal to build a factory producing renewable plastics.

Some 60 million USD will be allocated in the first phase of the project.

This is the first green credit from HSBC to a Vietnamese company, sourced from 100 billion USD the bank has committed to sustainable investment around the world to 2025.

Stephanie Betant, Country Head of Wholesale Banking at HSBC Vietnam, said the deal between HSBC and Duy Tan aims to reach the shared goal of sustainable financial growth in Vietnam.

Le Anh, Marketing Director at Duy Tan, said the factory, which will have an estimated capacity of producing 100,000 tonnes of products per year, will be the first in Vietnam to apply "bottles to bottles" renewable technology.

The green loan is being implemented in tandem with the national strategy on green growth of the

Vietnamese Government and the green bank development plan of the State Bank of Vietnam.

## 5. FTA with EU expected to give a lift to Vietnam’s real estate

Property consultancy CBRE Vietnam said the trade deal would boost the country's exports, and the concomitant changes will have a significant impact on segments like offices and housing for rent, serviced apartments and, especially, industrial properties.

It said the deal would help Vietnam attract plenty of new foreign investment since investors always seek preferential policies like the ones the EVFTA would offer.

The trade agreement is set to eliminate virtually all tariffs over the course of a decade.

The European Parliament website said this should result in €15 billion (\$16.9 billion) in annual additional exports from Vietnam to the EU by 2035.

The transparency that is mandatory for a country when joining free trade agreements (FTAs) like the EVFTA will improve Vietnam’s business environment, helping reduce foreign investors’ concerns.

CBRE Vietnam industrial and logistics services director Le Trong Hieu said the country’s success in controlling the Covid-19 outbreak would cause many foreign companies to shift their manufacturing bases there from China.

Experts said all these factors are set to benefit the industrial property segment, including land and ready-built factories.

Industrial parks and clusters located near ports are expected to be the most attractive targets for new investors.

Provinces like Vinh Phuc, Hung Yen and Hai Duong in the north, and Long An and Ba Ria-Vung Tau in the south are likely to be the hotspots.

### High expectations

An expert in industrial real estate said many foreign investors have high expectations that the EVFTA would enable them to increase investments in Vietnam with many big projects.

But the industrial real estate market would not really benefit from the EVFTA until the middle of next year when demand starts to come through.

While many experts believe the EVFTA will come as a boost to the industrial real estate market, others have reservations, including about the fact that foreign direct investment is moving out of China because of the Covid pandemic.

They said this is because the industrial property sector in Vietnam still has many shortcomings related to transport infrastructure, storage and industrial supply chains.

Many experts said the housing and office for rent segments would also become vibrant thanks to the increase in foreign investment, which would bring along with it a number of experts, traders and workers to Vietnam and improve demand.

Nevertheless, they warned that Vietnam, especially its industrial property developers, should make careful preparations to grasp the opportunities arising from FTAs and switch by foreign investors from other countries.

They should have enough land not only for setting up factories, workshops and warehouses but also for housing for workers, they said.

While the industrial real estate sector is expected to develop strongly thanks to the arrival of more foreign investors who want to take advantage of FTAs and the move by foreign companies from China due to the escalating Sino-US trade war and the pandemic, there is also a danger of oversupply without proper planning, they said.

By March, Vietnam had 335 industrial parks with a combined area of 97,800ha of natural lands,



including 66,100ha for industrial production, a report by the Ministry of Planning and Investment's economic zones management department said. The occupation rate was 75.7 per cent.

There were 17 coastal economic zones with 845,000ha of both land and water.

### Industrial real estate boom

Experts said Vietnam could become a new factory of the world especially as multinational corporations strengthen diversification of their investment destinations by repositioning production facilities after the Covid-19 pandemic.

It is this that has made Vietnam's industrial real estate market very vibrant, as indicated by the reports of many real estate agencies on existing and new customers' increasing demand for rental land, ready-built factories and warehouses since the beginning of this year.

This robust growth has attracted many local enterprises who want to invest in this business.

Tan Thanh Long An Investment JSC and the Vietnam Creative Industrial Park Management Co based in the southern Long An province have recently started construction of the Viet Phat Industrial Park on an area of 1,800ha.

Not far away from there, the 195ha Duc Hoa III-SLICO Industrial Park has just been built.

The developer of the park said it has been designated to serve supporting and processing industries.

Long An borders Prey Veng province's Kampong Trabek district and Svay Rieng province's Svay Chrum, Kampong Ro and Chantrea districts and Bavet town in Cambodia.

In Binh Dinh province, construction of the Becamex Binh Dinh Industry Park was approved early this year at a cost of 3.3 trillion dong (\$140 million) and on an area of 1,000ha. The park will be used for industrial production and services.

The Dau Tu (Investment) newspaper reported that Vingroup JSC, through its subsidiary Vinhomes JSC, plans to enter the industrial properties segment, developing properties in industrial parks in Hai Phong city and Hai Duong and Quang Ninh provinces.

Dong Nai Rubber Corp has petitioned the Dong Nai People's Committee to allow it to change land use rights for 18,000ha out of a total of 37,000ha it manages for the construction of industrial clusters and parks.

But this kind of enormous development of industrial properties can easily result in an oversupply crisis, especially when the world economy has yet to show signs of stability, likely causing difficulties for the relocation of foreign companies even when they really want.

Developers of industrial real estate also need to focus on the development of transport and logistics infrastructure, housing and social requirements like kindergartens and entertainment centres for workers rather than just factories and warehouses if they want to attract foreign companies.

## 6. Domestic customs sector reports reforms

The department said it has worked on the principle of fighting the pandemic and supporting and facilitating import and export of goods at a maximum level.

In the first six months of 2020, it has actively coordinated with relevant agencies to develop and complete draft documents to promote work relating to customs procedures, inspection and supervision of goods in the ASEAN Customs transit system,

guiding the implementation of the temporary detention mechanism under the Istanbul Convention.

The department said it completed the decrees on business conditions for duty-free shops, warehouses, yards and places for customs clearance, gathering, customs inspection and supervision and a scheme on management of e-commerce activities approved by the Prime Minister.

At the same time, the department pushed up reforms and modernisation, focusing on important activities such as promoting dialogues between customs agencies and enterprises, organising the assessment of enterprises' satisfaction with customs clearance; and assessment of a national single window.

By June 30, the department put into operation two ships, one speedboat, one camera observation room, ten drug detectors, four luggage scanners and three surveillance camera systems to strengthen inspection work.

According to the department, the application of information technology and provision of online public services continues to be promoted as it is one of the most active agencies in the national single window system.

In rebuilding the overall IT system, the department can now provide nearly 90 per cent of services, as well as more than 97 per cent of bills, online through the national public service portal at levels 3 and 4.

In the field of anti-smuggling and trade fraud, the department has detected and dealt with 8,681 cases in the first six months of the year.

According to preliminary statistics of the department, the country's total import-export turnover of goods in the first six months reached US\$240.12 billion, down slightly by 1.4 per cent from the same period last year.

The export value of goods reached \$122.79 billion, up 0.2 per cent, while import value was \$117.33 billion, down 2.9 per cent. Việt Nam's trade balance of goods in the first six months recorded a surplus of \$5.46 billion. Last year, it was \$1.72 billion.

## 7. Vietnam urged to unlock potential for world-class healthcare

Titled “Unlocking world-class healthcare in Vietnam: the time is now”, the event attracted the participation of over 85 representatives from the government, embassies, and companies from startups to multinationals.

At this multi-stakeholder dialogue, experts discussed opportunities to realise the full potential of the healthcare sector in Vietnam, especially how to shape an enabling, predictable long-term business environment that in turn improve patient access and fully yield the value that the innovative pharmaceutical industry can bring.

Addressing short-term challenges in key legislations, for example the issues relating to Certificate of Pharmaceutical Product, Marketing Authorisation extension in the Circular guiding Drug Registration (Circular No. 32/2018/TT-BYT dated November 12, 2018) and ensuring the proper execution of existing regulations – such as the price negotiation mechanism for brand-name medicines as regulated in the Tender Circular (Circular No.15/2019/TT-BYT dated July 11, 2019) – will ensure opportunities are unlocked as fast as possible.

Also at the event, KPMG Vietnam has launched its latest report titled Value of Innovation which examined the current and potential benefits that the innovative pharmaceutical industry could bring to Vietnam.

Luke Treloar, director, Strategy, National Head of Healthcare & Life Science, said, “KPMG is excited and delighted to work on this exciting report. This industry touches all of our lives. Expanded access to cutting-edge medicines and quality care, and sustainable health financing will ensure that Vietnam meets its ambitious development goals.”

Vietnam has high potential for life sciences and healthcare in Vietnam which bring faster access to more innovative pharmaceutical products; increased employment; local pharma sector development; foster startup and entrepreneurship ecosystem; domestic research and development and clinical trials expertise development; and attracting more FDI and tax.

However, according to the KPMG report, the key challenges to Vietnam's pharma sector development include a clear sectoral vision; clinical trials; local manufacturing; presence and technology transfer;

education and workforce development; health financing; and access to innovative medicine.

The report said that the Vietnamese government should consider implementing targeted policies and reforms in a wide variety of areas, from investment incentives and legislation to education and training. Thus, the Government of Vietnam is well-positioned to promote growth in the economy through targeted and informed policies, and collaboration with industry stakeholders. These factors will be crucial in developing a dynamic and vibrant future for both the industry and the nation as a whole.

The report also suggested key policies for the Southeast Asian country in the coming years, including continuing to prioritise the pharmaceutical industry on a national level; establishment of a comprehensive legal and regulatory framework and dedicated support institutions; introducing incentives to drive investments into the industry; increasing emphasis on industry-focused education and training; promoting health innovation and improving health financing.

Nitin Kapoor, Pharma Group vice chairman, noted that, “Pharma Group members fully endorse key

conclusions from the report, including specifically the opportunity to unlock ever better healthcare provision to the people of Vietnam, and bring further investments to Vietnam, from R&D to digital infrastructure and capabilities. PG members are ready to work hand-in-hand with domestic companies, healthcare professionals, and government to make these opportunities come alive.”

Vietnam is well-positioned to join the value chain in life-sciences ahead of several other ASEAN countries, and can attract further investment from the innovative pharmaceutical industry to make this happen. The time to consider the value this can bring to Vietnam is now.

According to the latest statistics of the Drug Administration of Vietnam, as of August 2019, Vietnam has approximately 184 local and foreign pharmaceutical manufacturers operating in the market, of which 225 manufacturing sites qualified for GMP-WHO. Most of these companies produce generics for local consumption. 90 per cent of the Active Pharmaceutical Ingredients (APIs) for these products come from imported sources, primarily China and India.



## Corporate News

### 8. TMS: Plan for a private placement of 376,000 shares

↓ -0.77%

On July 06, 2020, the Board of Directors of Transimex Corporation approved the following issues:

1) To choose A&C Auditing and Consulting Company Limited to perform the audit of TMS' financial statements in 2020.

2) To approve a detailed plan for private placement which was adopted by the 2020 Annual General Meeting:

- Stock code: TMS

- Registered offering volume: 376,000 shares

- Offering price: VND18,293/share

- Total offering value: VND3,760,000,000

- Total mobilized capital: VND6,878,168,000

- Issue ratio: 0.53% of the total outstanding volume

- Purpose: to ensure that the foreign ownership limit will not exceed 49%.

- Plan for distributing the mobilized capital: to pay suppliers VND6,878,168,000.

### 9. VCB: Resolution of Annual General Meeting 2020

↑ 0.72%

Joint Stock Commercial Bank For Foreign Trade of Viet Nam announces the resolution of Annual General Meeting 2020, which was convened on June 26, 2019, as follows:

Article 1: Approving the report of the Board of Directors; the report of the Board of Supervisors; the audited financial statements in 2019; the report on business performance in 2019 and business plan for 2020.

Article 2: Approving the 2020 business orientation.

Article 3: Approving the remuneration of the Board of Directors and the Board of Supervisors in 2020.

Article 4: Approving to authorize the Board of Directors to choose an independent audit firm for auditing the listed company's financial statements in 2020.

Article 5: Approving the additional election of Mr. Lai Huu Phuoc to the Board of Supervisory for the term of 2018 - 2023.

Article 6: Approving the capital increase plan for the period of 2020 - 2021.

Article 7: This resolution shall take effect from June 26, 2020.

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