



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Stocks VN-Index edges up after two losing sessions

The VN-Index added 0.03 percent to 861.69 points Tuesday, with blue-chips driving most of the market's gains.

Interchanging buying and selling pressure throughout the day caused the benchmark VN-Index to fluctuate within a 4 point-band above and below its opening 861.40 points, before closing at 0.29 points above this level.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw 196 stocks lose and 164 gain despite ending in the green this session.

Total transaction volume fell slightly over the previous session to VND4.58 trillion (\$197.39 million), higher than the average VND4.3 trillion (\$185.35 million) per session so far this month. Of this, 46.5 percent were related to VN30, a basket for the 30 highest capped stocks on the HoSE.

The VN30-Index for this basket rose 0.17 percent, with 15 tickers gaining and 10 losing.

Topping gains this session was CTD of construction giant Coteccons, climbing 1.9 percent. Coteccons had just released its consolidated financial statements for the first six months on Monday, which stated that although its revenue fell 31.4 percent year-on-year, post-tax profits surged 28 percent.

According to Coteccons, the rise in post-tax profits was primarily a result of poor performance in the second quarter of 2019, when some projects were delayed, leading to increased fixed costs for the business and lower profitability.

Next came FPT of IT services giant FPT, NVL of real estate developer Novaland, REE of appliances maker Refrigerated Electrical Engineering and VJC of budget carrier VietJet Air, all gaining 0.8 percent.

State-owned banks were some of the better performers this session. MBB of mid-sized Military Bank climbed 0.6 percent. Of Vietnam's three biggest lenders by assets, VCB of Vietcombank added 0.4 percent and CTG of VietinBank, 0.2 percent, while BID of BIDV kept its opening price.

STB of Sacombank and VPB of VPBank were two private banks in the green this session, rising 0.4 percent and 0.2 percent respectively.

VIC of private conglomerate Vingroup, HoSE's largest cap, kept its opening price this session. VRE of its retail arm Vincom Retail rose 0.4 percent, while VHM of its real estate subsidiary fell 0.5 percent.

Leading losses this session was SSI of top brokerage Saigon Securities Inc., down 1.3 percent, followed by PLX of petroleum distributor Petrolimex, 1.1 percent, and BVH of insurance giant Bao Viet Group, 0.8 percent.

Other major tickers losing in this session included HDB of private HDBank, down 0.7 percent and MSN of food conglomerate Masan Group, down 0.5 percent. SAB of major brewer Sabeco and POW of electricity generator PetroVietnam Power both dropped 0.4 percent.

HoSE announced Tuesday that it will update the VN30 to include KDH of real estate developer Khang Dien House and TCH of truck dealer Hoang Huy Group, which are set to replace BVH of Bao Viet Group and CTD of Coteccons.

HoSE conducts a review of the VN30 every six months to include stocks that best fit their criteria of blue chips, which includes metrics such as market capitalization, average trading volume, and free-float ratio.

Meanwhile, the HNX-Index for stocks on the Hanoi Stock Exchange, home to mid and small caps, kept its opening price; and the UPCoM-Index for stocks on the Unlisted Public Companies Market rose 0.12 percent.

Foreign investors turned net sellers on all three bourses to the tune of VND320 billion (\$13.79 million), with selling pressure mostly on VHM of Vinhomes and HPG of leading steelmaker Hoa Phat Group, which added 0.4 percent this session.

## Macro & Policies

### 2. PM urges stock market to rise to ‘emerging’ status soon

“From being a securities trading centre with only two listed companies when it opened on July 20, 2000, Viet Nam’s stock market now has more than 1,600 firms listed and traded on the two stock exchanges with a market capitalisation of over VND4 quadrillion (US\$173 billion), equivalent to 65 per cent of the country’s GDP.

Tran Van Dung, chairman of the State Securities Commission of Viet Nam, said, “The government bond market was established more than 10 years ago and quickly confirmed its role as an effective capital mobilisation channel for the Government.

“The Government has mobilised more capital, for longer terms and with reducing interest rates, contributing to the efficient restructuring of [its] public debt.

“The derivatives market established over three years ago has grown rapidly at an average of 3.3-fold a year, providing additional investment tools and effective risk management tools.

“We also see that the securities market has contributed significantly to the equitisation of State-owned enterprises in the last 20 years. Many firms have listed on the exchange after equitisation and developed more efficiently.”

Phuc said the stock market has improved consistently in terms of quality and structure, and grown strongly in scale to become an important capital mobilisation route for the economy.

The country is entering a new stage of development in a “new normal” state, he said.

“We have ... successfully controlled the pandemic. Therefore, we need to take proper advantage of this unique opportunity to restore and develop the socio-economy, and attract domestic resources and regional and global capital flows to meet our huge demand for investment and development in the short and long terms.”

The market needs to achieve “breakthrough development in both scale and quality to better meet

the medium- and long-term capital needs of the economy and share the task of capital mobilisation with the credit and banking systems”.

The securities industry should strive to raise Viet Nam’s stock market from “frontier market” to “emerging market” status soon to turn it into “a reliable destination for international financial institutions and major investors in the region and globally”, he said.

To further boost its development, he said relevant ministries and agencies should soon create institutions and complete mechanisms and policies for comprehensive development of the financial and monetary markets, especially the stock market, to create a favourable business environment and fair and equal opportunities for businesses and investors.

They need to quickly develop the market in terms of scale and quality, including accelerating equitisation of SOEs and their listing on the stock market and encouraging private firms to list; improving management, inspection, supervision, and enforcement of the law to ensure the market is open and transparent; and protecting the legitimate rights and interests of its participants, he said.

He also called on stakeholders in the securities market to quickly adopt international standards in terms of markets, financial services, accounting, auditing, and corporate governance practices.

Official agencies need to improve their capacity for analysis and forecast of the market to take timely measures to cope with abnormal fluctuations in the international and domestic markets, and ensure the security and safety of businesses, investors and the stock market, and generally the financial and monetary markets, he said.

He highlighted the need for renovating the IT system and adopting Industry 4.0 technologies to improve securities and financial services.

Dung said: “Besides its achievements, the market also has many limitations that need to be overcome

to meet the higher requirements and contribute to the overall development of the country.

“Some new trading systems and products on both the basic market and derivatives market need to be put into operation soon.

“Human resources involved in the management and operation of the securities market need to focus on

improving their capacity to meet the new management requirements in the context of rapid changes in technology and complex developments in the international and domestic markets,” he added.

At the ceremony, HOSE received a certificate of merit from the Prime Minister for its achievements over the last 20 years.

### 3. Japan helps 15 companies move factories to Vietnam

It was reported by the Japan External Trade Organisation (Jetro).

Jetro said that this was a move to improve the gap in the Japanese supply chain since the COVID-19 pandemic had broken out and spread.

The project moving businesses to Asia also aimed to strengthen Japan-ASEAN economic and industrial co-operation.

Bloomberg said the Japanese government would start paying some companies to move factories out of China back to their home country or to Southeast Asia.

The move aims to improve supply chains and reduce dependence on manufacturing in China.

Nikkei also confirmed that the Japanese government would pay a total of 70 billion Japanese yen (US\$653 million) for eighty-seven companies or groups to move production lines.

Thirty of these will receive money for investments in Southeast Asia including Viet Nam, Myanmar, Thailand and others.

The other 57 projects would head to Japan, said Nikkei.

### 4. Bac Giang to expand industrial parks, cluster to lure more investment

Bac Giang – The northern province of Bac Giang plans to focus on developing industrial parks and clusters to welcome a new wave of investment to the locality, according to Director of the provincial Department of Industry and Trade Tran Quang Tan.

Tan said that from now until the end of 2020, the province will prepare necessary conditions, especially in infrastructure and human resources as well as land, in anticipation of foreign investment, especially from multi-national groups.

The province will complete dossiers and submit to the Prime Minister for making decisions on several investment proposals, including a project to build infrastructure for the Vietnam-Republic of Korea industrial park, along with the addition of two industrial-urban-service areas of Yen Son-Bac Lung

and Yen Lu into the national master planning on industrial parks development to 2020.

At the same time, Bac Giang will concentrate on speeding up the implementation of projects, especially those on construction of infrastructure in industrial parks and clusters of Hoa Phu, Quang Chau, and Song Khe-Noi Hoang, thus creating a land fund for investment attraction.

Within 2020, the Bac Giang Department of Industrial and Trade will advise the province on the building of planning for industrial parks and clusters, and integrating them into the province's planning, Tan said.

The official elaborated that in the period from 2021 to 2030, 16 industrial parks will be formed, adding 5,044 hectares to the total area of industrial parks in

the province. Meanwhile, 22 industrial clusters will be formed or expanded with total area of 1,321 hectares, making the province ready in terms of “clean” land for receiving investment projects, creating a momentum for economic development.

Bac Giang will also work to ensure that the expansion of industrial parks and clusters is made in association with the protection of security and defence, as well as the protection of ecological environment and food safety.

Meanwhile, industrial areas will have synchronous infrastructure in terms of electricity and water supply, transportation, and telecommunications, along with the construction of urban, service and trade areas as well as housing for workers and other social infrastructure systems such as health care and education.

In industrial parks, the province will encourage companies with high and green technologies in electricity, electronics, telecommunications equipment, precision engineering, and support industry.

In industrial clusters, Bac Giang will call for small and medium-scale projects in production, which use local workers, with priority on projects in food and agricultural product processing.

In the time ahead, Bac Giang will also focus on speeding up the construction of the Bac Giang city logistics centre, thus making it coherent with the development of industrial parks and clusters and optimising the flow of goods and currency, reducing cost and enhancing goods value. This will help improve the supply chain and expand multi-form transportation, enhancing the locality's attraction to investors.

Currently, Bac Giang has 1,322 hectares of industrial parks and 1,384 hectares of industrial clusters.

The province has attracted 1,269 domestically-invested projects worth over 88 trillion VND (3.79 billion USD at current exchange rate), along with 461 foreign-invested projects with combined capital of more than 6.1 billion USD.

Despite the impacts by the COVID-19 pandemic, in the first six months of 2020, Bac Giang enjoyed a 9.2 percent year-on-year growth in industrial production to 115 trillion VND, fulfilling 41.8 percent of the locality's target for the whole year.

In the period, production of the State-owned sector grew 10 percent, while that of the non-State sector fell 2.6 percent, and FDI firms rose 11.6 percent. Businesses enjoying increase in production included Fuhong Precision Component with 704 billion VND, Vina Cell Technology with 962 billion VND, and Sjtech VN with 1.16 trillion VND.

## 5. COVID accelerates shift towards omni-channel retail

COVID-19 was changing Vietnamese consumer habits. “The COVID-19 pandemic has resulted in a greater focus on health and wellness and dining at home as well as a broad-based shift towards e-commerce,” the report wrote.

“As a result of the pandemic, for instance, more than 50 per cent of Vietnamese consumers have reduced their frequency of visits to supermarkets, grocery stores and wet markets, while 25 per cent of them have increased online shopping.”

The pandemic was also accelerating online grocery shopping. “The COVID-19 outbreak has introduced e-commerce to a large number of Vietnamese

consumers who had earlier not been interested in online grocery shopping and e-payments.”

On Shopee's platform, for example, the time that Vietnamese consumers spent shopping increased by more than 25 per cent after the COVID-19 outbreak, as they looked to purchase groceries and other daily essentials.

“The online shopping habits that many Vietnamese consumers have picked up during the COVID-19 period may become permanent changes that e-commerce players will need to adapt to.”

Several non-traditional retail players also seized the opportunity to make their foray into the market. For

instance, ride-hailing player Grab launched its grocery e-commerce platform, GrabMart, in Viet Nam on 23 March 2020.

The report said that with a dynamic e-commerce market, Viet Nam attracted the attention of both local and foreign players who had poured an estimated US\$1 billion into the sector. The two largest cities, Ha Noi and HCM City, accounted for about 70 per cent of total e-commerce transactions.

Key players include Lazada, Shopee, Tiki, Thegioididong, and Sendo, with Shopee occupying

the number one spot with about 16.8 per cent share of combined monthly web traffic.

Still, Viet Nam's overall retail landscape remained predominantly offline, the report said, citing findings of a recent survey that 98 per cent of retailers cited brick-and-mortar stores and distribution channels as accounting for the majority of their sales turnover, with only 2 per cent citing e-commerce channels.

Viet Nam had more than 666,700 traditional retail outlets, 1,289 convenience stores, 58 hypermarkets and 3,450 supermarkets in 2019.

## 6. Local banks to face competition from foreign rivals

This information was released at the Top 10 most prestigious commercial banks in Viet Nam in 2020 by Viet Nam Report (VNR).

According to VNR, more than 96 per cent of surveyed experts and banks said one of their biggest challenges was the increasing trend of bad debts due to impacts of the COVID-19 pandemic after implementing debt restructuring, extending and freezing.

With loans that were ineligible for debt restructuring, banks must convert them into non-performing loans (NPLs) as prescribed, resulting in pressure of decreasing interest and provisioning, thereby reducing profits.

With debts that could be extended and restructured, these could be potential bad debts for commercial banks in the long term. If the health of the economy does not improve soon, banks would be at risk of losing capital.

According to calculations by the State Bank of Viet Nam, if the disease was controlled in the first quarter of this year, the NPL ratio of the on-balance sheet, debts sold to Viet Nam Asset Management Company (VAMC) and classified debt would be at 2.9-3.2 per cent by the end of the second quarter and 2.6-3 per cent at the end of the year.

The survey said although Vietnamese commercial joint stock banks have maintained their positions,

the competitive pressure has been increasing as the country opens its market.

In addition, the emergence and development of financial technology companies (fintech) and technology giants (big tech) in providing financial services are putting pressure on banks. Banking business is forecast to be increasingly difficult if they do not quickly catch up with technology trends.

Although the banking industry has been at the forefront of applying information technology in operation and management, most banks have built a digital transformation strategy to increase customer experience, addressing the growing needs of customers. Most Vietnamese banking systems still operate traditionally with their transaction offices and mostly digitise internal processes.

The decision to invest in infrastructure of technology systems to meet changes in the current trend of shopping and consuming services has been a problem for bank leaders as this is a big investment while the effect is difficult to evaluate.

The survey said there are four biggest challenges in implementing digital banking include network security risks, lack of policies, overlapping priorities and lack of skilled labourers.

Nearly a half of experts and banks in the survey also said the decreasing credit demand has been one of the challenges for the sector.

Due to the impact of COVID-19, although Viet Nam has well controlled the pandemic, the world is still experiencing outbreaks, affecting the production and business situation of domestic enterprises. It was the reason that businesses still do not need to borrow new capital although lending interest rates have fallen sharply.

The pressure on capital raising on banks in 2020 is still relatively high, requiring them to have much higher equity capital than before to ensure effective

risk management according to Basel II standards, especially banks with State capital. Profits of some banks declining in the context of increased risk of bad debt would significantly affect capital safety, increasing the pressure of raising chartered capital.

Vietnam Report said the key factors for the success of banks are human resources and technology. The digital revolution in the banking sector has required staff to regularly update information and develop creative policies.

## 7. PM approves action plan for Vietnam–US customs cooperation agreement

Prime Minister Nguyen Xuan Phuc has approved an action plan for the implementation of the Customs Mutual Assistance Agreement (CMAA) between Vietnam and the US, aiming to further strengthen bilateral cooperation on security and the facilitation of lawful trade.

Under the plan issued on July 17, the Ministry of Finance (MoF) is responsible for cooperating with the US in identifying priority fields and goods subject to information sharing, which includes goods with high risk of origin fraud or illegal transshipment.

Additionally, the MoF would draft a plan for cooperation with the US in each phase, as well as for customs staff training to meet the requirements of each side.

CMAAs are bilateral agreements between countries that are enforced by their respective customs administrations. They provide the legal framework for the exchange of information and evidence to assist countries in the enforcement of customs laws, including duty evasion, trafficking, proliferation, money laundering and terrorism-related activities.

CMAAs also serve as foundational documents for subsequent information sharing arrangements.

US Deputy Chief of Mission in Vietnam Caryn McClelland and Vietnamese Vice Minister of Finance Vu Thi Mai signed the CMAA in Hanoi last December.

At the ceremony, Mai said the agreement would help customs authorities in the two countries timely identify trade fraud activities, which is a significant issue amid growing trade relations between the two countries.

Meanwhile, the establishment of a communication channel under the agreement is instrumental in the fight against trade frauds and illegal transshipment, preventing losses to state revenue and ensuring fair and safe business environments, Mai added.

Trade between the two countries in the 2010 – 2019 period grew by an average of 16.3% annually, in which Vietnam's export growth to the US was over 16% per year and imports rose 16.5%.

The US continues to be Vietnam's largest export market and the third largest trading partner, Mai said.

## Corporate News

### 8. KDH: Issuing shares for dividend payment & stock issuance under ESOP

↑ 0.61%

The Board resolution dated July 17, 2020, the BOD of Khang Dien House Trading and Investment Joint Stock Company approved the following issues:

1) Approving the stock issuance to pay dividend for 2019:

- Expected issue volume: 26,228,923 shares
- Par value: VND 10,000
- Total value (based on par value): VND 262,289,230,000
- Issue ratio: 5% (shareholder who owns 100 shares will receive 05 new shares).
- Plan to deal with fractional shares: The distributed shares will not be rounded down to

dozen, the fractional shares due to rounding down will be cancelled.

- Time of implementation: expected in Q3.2020.

2) Approving the plan for stock issuance under ESOP:

- Expected issue volume: 8,000,000 shares
- Par value: VND 10,000
- Total value (based on par value): VND 80,000,000,000
- Issue price: VND 13,000/share
- Issue ratio: 1.525%
- Time of implementation: expected in Q3.2020

### 9. PDR: Planning the second bond issue of 2020

↑ 0.00%

On June 17, 2020, Phat Dat Real Estate Development Corp announced the plan for the

second bond issue of 2020 with the following projects:

Number of issue	Time	Purpose	Amount (VND)
Batch 1	In July 2020	To finance projects in Binh Dinh Province	212,000,000,000
Batch 2	In August 2020	To finance its subsidiary to implement Binh Duong Luxury Apartment in Binh Duong Province	70,000,000,000
Batch 3	In September 2020		18,000,000,000
Total			300,000,000,000



On July 02, 2020, Phat Dat Real Estate Development Corp successfully issued 2,120 bonds for the first batch with the proceeds of 212,000,000,000 VND. The Company used the proceeds to finance Nhon Hoi Ecotourism Urban Project in Binh Dinh Province and finance its subsidiary to implement Binh Duong Luxury Apartment in Binh Duong Province.

Phat Dat Real Estate Development Corp announces a plan for the second batch of 2020 as follows:

- The estimated issue date: in August 2020
- Issue volume: 700 bonds
- Total issue value: 70,000,000,000 dong

Purpose: to Finance Projects In Binh Dinh Province; to Finance Its Subsidiary To Implement Binh Duong Luxury Apartment In Binh Duong Province.

**Research Team:**

**Tsugami Shoji**    *Researcher*

[jsi@japan-sec.vn](mailto:jsi@japan-sec.vn)

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***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](mailto:info@japan-sec.vn)*

*Website: [www.japan-sec.vn](http://www.japan-sec.vn)*