



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Local stocks hit by new suspected virus case, rising tension

Vietnamese shares had the worst decline in a month after a new suspected community infection case was reported and global stocks reacted badly to rising tension between China and the US.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange tumbled 3.22 per cent to end Friday at 829.16 points. It was the biggest loss since June 29 when the VN-Index plunged 2.65 per cent.

The benchmark retreated from a 0.20 per cent increase on Thursday and totalled a 4.91 per cent loss this week.

“The market dived after a new suspected community infection case was reported in the central city of Da Nang as investors worried about the possible second wave of coronavirus spread in Viet Nam that could hit the local economy and listed companies’ performance,” Dinh Quang Hinh, head of market strategy at VNDirect Securities Corporation, told Viet Nam News.

It was suspected to be the first community transmission of COVID-19 in Viet Nam for 99 days.

“The market sell-off also came after global stocks reacted very badly to the increase of tensions between China and the US,” he said.

On the Vietnamese equity and commodity trading market, gold prices beat VND56 million per tael on Friday and “investors might be drawn into gold from other investment channels, including stocks,” Hinh said.

Friday’s tumble saw large-cap stocks decline sharply after they had strived to recover in the past month.

The blue chip tracker VN30-Index plunged 3.50 per cent to 772.29 points while the VN30 futures maturing on August 20 dipped 4.03 per cent to 797.10 points.

Other VN30 futures maturing in September and December of 2020 and March 2021 lost between 3.38 per cent and 3.80 per cent.

All 30 largest stocks by market capitalisation and trading liquidity in the large-cap basket declined, led by construction firm Coteccons (CTD), VPBank (VPB), jewellery firm PNJ (PNJ) and insurer Bao Viet Holdings (BVH).

Others such as PetroVietnam Gas (GAS), HDBank (HDB), steel producer Hoa Phat (HPG) and retailer Mobile World Investment (MWG) also finished in the red.

The sell-off also spread to mid-cap and small-cap groups as the two sector indices plummeted 3.65 per cent and 3.89 per cent, respectively.

Friday’s fall confirmed the VN-Index had lost the support of 850 points, which had been consolidated for the last week, MB Securities Co (MBS) said in its daily report.

There could be some technical recoveries in the coming days if investors looked for bargains, the company said.

On the Ha Noi Stock Exchange, the minor HNX-Index descended by 3.98 per cent to finish Friday at 109.33 points.

The northern market index has declined by total 5.82 per cent in the last three days and totalled a weekly loss of 6.40 per cent.

Nearly 575 million shares were traded on the two exchanges, worth VND8.19 trillion (US\$353.3 million).

Foreign investors net-bought total VND272.8 billion worth of local shares. They net-sold VND86.4 billion worth of shares on Thursday.

## Macro & Policies

### 2. Regional countries shocked at Japanese firms choosing Vietnam as investment destination: JETRO

The fact that half of 30 Japanese firms have chosen Vietnam as an alternative investment destination in Southeast Asia away from China has shocked regional countries, according to Takeo Nakajima, chief representative of the Japan External Trade Organization (JETRO) in Hanoi.

Japanese firms are looking to diversify their supply chains, but it does not mean to shift their entire production facilities from one country to another, Nakajima said at a press conference on July 23 as reported by VnExpress.

JETRO earlier this month released a list of 30 Japanese firms that are poised to receive subsidies from its government to move production facilities from China to Southeast Asian countries, of them 15 eye Vietnam as a favorite destination.

JETRO said the financial support would range from US\$900,000 – US\$46.5 million to partly cover the required expenses of Japanese firms in expanding operation.

Japanese firms are required to complete the construction of facilities before March 2025, and for those producing medical equipment before March 2023.

According to Nakajima, some companies that produce face masks, medical equipment or protective clothes prefer Vietnam as the country has many reputable and capable companies in the textile industry.

Meanwhile, one unique advantage that no other country other than Vietnam has is the large

workforce with fluency in Japanese, Nakajima stated.

Nakajima also highly regarded the determination of the Vietnamese government in attracting investment from Japan, which partly offsets other shortcomings including the lack of transparency, inconsistent policies, among others.

Moreover, Vietnam also has an advantage of low production cost compared to other ASEAN countries such as Malaysia, Singapore or Thailand. However, Nakajima warned with growing labor wages and land rental fees, Vietnam could soon lose its advantage and should look for other competitive advantages.

Nakajima urged Vietnam to improve the localization rate and focus on the development of the supporting industries, especially as the competition for FDI in the Southeast Asia region is becoming fiercer.

This would pressurize Vietnam to improve its business environment, Nakajima stated.

The JETRO official expressed concern that the restriction in commercial flights between the two countries could affect investment activities from Japan.

The Japanese government earlier this year earmarked around US\$2 billion in the fiscal year 2020 supplementary budget to create a subsidy program to encourage companies to move plants to Japan. Of that amount, US\$219 million was set aside to promote the diversification of production sites from China to Southeast Asia.

### 3. US supports Vietnam's efforts to help enterprises develop sustainable value chains

Today, the Ministry of Planning and Investment (MPI) and the United States Agency for International Development (USAID) organised a conference on supporting Vietnamese enterprises to develop sustainable value chains in Hanoi, co-chaired by Minister of Planning and Investment Nguyen Chi

Dung and USAID Vietnam mission director Michael Greene.

The conference was attended by more than 200 representatives from ministries, agencies, provincial people's committees, Departments of

Planning and Investment, Agricultural and Rural Development, and Industry and Trade from 30 provinces and cities in North and Central Vietnam, as well as representatives from business support organisations, business associations, industry associations, lead firms, and small- and medium-sized enterprises (SMEs).

The COVID-19 pandemic has negatively affected many countries in the world, including Vietnam. Vietnam's business community has been hit hard by COVID-19. Supply chains have been disrupted and many businesses, especially SMEs and businesses dependent on exports, are suffering from revenue loss, suspension of operations, and staff cutbacks.

They are struggling to regain their former momentum and continue their operations. According to the General Statistics Office, Vietnam's gross domestic product growth rate in the first half of 2020 was only 1.81 per cent. This is the lowest growth rate that Vietnam has experienced in the last ten years.

The government of Vietnam and the prime minister have issued policies to support post-COVID-19 business recovery: prime minister's Directive No.11 issued on March 4, 2020 on urgent objectives and solutions to assist businesses facing difficulties and

assurances of social welfare amid COVID-19; and the government of Vietnam's Resolutions No.84 issued on May 29, 2020 to further reduce the pandemic's impact on businesses, promote effectiveness of public investment, and ensure social security in the COVID-19 context.

These timely efforts have been recognised by the business community and international organisations, and continue to encourage businesses to overcome this challenging period.

The conference support Vietnam's post-pandemic business recovery efforts and Vietnamese businesses, especially SMEs to adapt to shifts in the global supply chain and create new and sustainable value chains. Participants learned about lead firms' expectations and requirements, and discussed how enterprises can become more resilient to sudden changes in supply chains, actively seize new market opportunities and enhance production capability.

The MPI's Agency for Enterprise Development, public and private business support organisations, and the USAID LinkSME project will work closely to implement practical activities to timely assist SMEs to upgrade their capability and participate in sustainable value chains.

#### 4. European business leaders' confidence in VN returning after COVID-19

During the middle of the COVID-19 pandemic, when social distancing and travel restrictions brought normal business operations to a halt, the EuroCham BCI fell to its lowest-ever score of 27 per cent in Quarter 1 of this year.

However, after the Government implemented a world-leading public-health and economic response, Viet Nam was able to return to business-as-usual much sooner than other countries, who continue to struggle with the impact of the virus.

As a result, the positive sentiment of European business leaders began to bounce back, recording a 7 per cent jump between February and April to reach 34 per cent.

Meanwhile, more than half of executives predicted that Viet Nam's macro-economic climate would "stabilise and improve" in the next quarter.

The BCI also found that more than a quarter of European enterprises had benefitted from the Government's postponement of tax, while around one-in-five had benefitted from a reduction in rent and a suspension of social insurance contributions.

Despite these positive signs, however, challenges remain for European enterprises. While the impact of COVID-19 has lessened a little, a large proportion (88 per cent) felt negative effects as a result of the pandemic in the three months to April.

Meanwhile, more than 50 per cent said that a reduction in taxes such as corporate income tax (CIT), personal income tax (PIT) and value-added

tax (VAT) would help them emerge stronger from the crisis.

“This data is further evidence that Viet Nam is one of the international success stories of the COVID-19

pandemic. It also shows that the Government's effective and sure-footed handling has had a tangible impact on the confidence of European business leaders,” said Nicolas Audier, chairman of EuroCham.

## 5. HCMC expects 2020 GRDP to expand 5%

Data of the HCMC Department of Planning and Investment indicated that most of the city's industries shrank in the first half of 2020. The retail sector was the only bright spot with a growth rate of 10.1% thanks to the online shopping boom during the social distancing period.

Some 2,504 businesses in the city disbanded from January to June, up 10.89% compared with the same period last year, while 8,329 businesses temporarily suspended their operations, up 41% year-on-year.

On the other hand, there were 18,493 newly registered businesses with registered capital totaling VND246.18 trillion, equivalent to 89% and 75.2% of that of the same period last year, respectively.

The city attracted US\$2.01 billion in foreign investment, equivalent to 65.3% of that of the same period last year.

Explaining the recession, HCMC Chairman Nguyen Thanh Phong said at a meeting on the city's economic performance in the first half of the year on July 23 that the service sector, which accounted for 60% of the city's GRDP, was severely affected by the Covid-19 pandemic.

Besides, only 2.14% of enterprises in the city are large-scale, capitalized at VND100 billion or more, while 90% of them are small and medium-sized enterprises that are the most vulnerable to the pandemic.

To help the city's GRDP grow by 5% this year, Phong suggested that the authorities of districts organize regular meetings with businesses to listen to their difficulties. The local authorities should immediately resolve issues they are in charge of, while other issues must be reported in time to the municipal government.

The city will boost domestic tourism by collaborating with other localities to diversify tourism services. The HCMC chairman proposed that travel companies should operate more waterway tours connecting HCMC with the Mekong Delta provinces.

The municipal government will also organize a number of conferences to connect the city's enterprises with European companies and coordinate with the United States Trade and Development Agency to hold a teleconference to help HCMC and U.S. businesses seek partnership and investment opportunities.

## 6. Securities firms make strong gains in Q2

HCMC Securities Corporation's (HSC) financial results indicated that its revenue amounted to over VND374 billion in the second quarter of 2020, up 13% year-on-year, while it booked an after-tax profit of VND150 billion, a 36% year-on-year rise.

Between January and June, HSC earned VND679 billion in net revenue, up 13% from the period last

year, meeting 52% of its target for the whole year, VietnamPlus news site reported.

Apart from this, SSI Securities Corporation achieved positive results, according to its quarter-two financial report.

SSI saw its revenue and before-tax profit in the second quarter of 2020 surge by 85.5% and 172.4%, respectively, year-on-year.

Fund transactions, margin trading and brokerage services contributed significantly to the firm's total revenue.

SSI saw an estimated VND660 billion in before-tax profit in the first half of 2020, up 29% year-on-year.

Earlier, BIDV Securities Company (BSC) had issued its quarter-two financial report, posting a positive performance from the net loss of some VND61 billion it incurred in the first quarter of 2020.

Between April and June, BSC's pre-tax profit skyrocketed by 344% year-on-year at VND96 billion. Its consolidated pre-tax profit amounted to VND35 billion in the first six months of the year, meeting 40.6% of the entire year's profit target.

In addition, the second quarter of 2020 also saw VNDirect Securities Company perform well. The firm's after-tax profit reached some VND168 billion, surging by 273% against the same period last year.

VNDirect said the successful containment of Covid-19 in Vietnam had spurred the local stock market up and helped the VN-Index rebound, resulting in a year-on-year rise of 5% in its revenue.

In the second quarter of 2020, the Vietnamese stock market made a strong rebound, seeing its liquidity soar by 40% against the previous quarter.

The local stock market is expected to continue its upward spiral and maintain good liquidity in the time to come following the Covid-19 pandemic being contained in the country.



## Corporate News

### 7. PNJ: Explanation for the fluctuation of Q2.2020 business performanc

↓ -5.08%

Item	2020	2019	Difference
Consolidated financial statements			
- Net revenue	2,744,802,199,607	2,961,828,580,037	-7.33%
- Profit after tax	31,660,485,158	169,151,564,268	-81.28%
Separate financial statements			
- Net revenue	2,464,854,425,795	2,188,660,080,092	12.62%
- Profit after tax	42,940,737,342	151,700,870,184	-71.69%

Phu Nhuan Jewelry Joint Stock Company (PNJ) explains the fluctuation more than 71.7% in its financial statements in Quarter 2 of 2020 compared to the same period of 2019 as follows:

Profit after tax decreases because of the following causes:

- Due to the Covid-19 pandemic, PNJ temporarily closed most of its stores in early April 2020 and gradually reopened from late April. Therefore, the retail sales in April was affected significantly. However, the jewelry sales have recovered positively in May and June 2020.

- Sales from 24K gold grew by 10% compared to the same period.

- Wholesale sales decreased by 24% compared to the same period.

- Borrowing cost was VND44.2 billion, up 107% compared to the same period because of the increase of working capital to respond to the Covid-19 pandemic.

### 8. NLG: BOD resolution on issuing shares to pay dividend & stock issuance stock under ESOP

↑ 0.98%

BOD resolution on issuing shares to pay dividend & stock issuance stock under ESOP of Nam Long Investment Corporation as follows:

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File Attachment

45833\_stock-under-ESOP.pdf

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