VIETNAM DAILY NEWS

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Market Analysis

1. Shares erase early gains due to profit-taking pressure

Shares cut early gains on Monday as profit-taking pressure increased strongly when the VN-Index was approaching 850 points.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.21 per cent to end Monday's session at 843.20 points.

Nearly 309.3 million shares were traded on the southern exchange, worth VND4.9 trillion (US$210.4 million).

The market recovered from two slumps on July 24 and 27, which pushed the VN-Index down to 785 points, as investors were motivated by the efforts of the Government to put COVID-19 under control soon, Vu Minh Duc, director of market research and analysis at VietCapital Securities Corp, said.

Since July 27, the VN-Index has gained a total of 7.17 per cent in two weeks.

Market breadth was positive with 274 gainers and 117 decliners.

The morning session witnessed positive trading with the VN-Index closing up 0.65 per cent. Blue-chips like insurers Bao Viet Holdings (BVH), FPT Corporation (FPT), PV Power (POW), PetroVietnam Gas JSC (GAS), Masan Group (MSN), steel maker Hoa Phat Group (HPG), Vingroup (VIC) and Mobile World Group (MWG) all climbed.

Bank stocks, including Asia Commercial Bank (ACB), Vietinbank (CTG), Military Bank (MBB), VPBank (VPB), Bank for Investment and Development (BID) and Techcombank (TCB) increased strongly and were the main driver of market's rally in the morning session.

The industrial real estate group also outperformed with gainers being Sonadezi Long Thanh (SZL), SONADEZI Chau Duc Shareholding Company (SZC), Industrial Urban Development JSC No 2 (D2D), Investment and Industrial Development (BCM), Kinh Bac City Development Share Holding Corporation (KBC) and Long Hau Corporation (LHG).

In the afternoon session, profit-taking pressure increased strongly when VN-Index was approaching 850 points. Many blue-chips have narrowed their rise such as FPT Corporation (FPT), Masan Group (MSN), steel maker Hoa Phat Group (HPG), Mobile World Group (MWG), Phu Nhuan Jewelry (PNJ), Vincom Retail (VRE).

Many large-cap stocks even reversed and dropped, including Refrigeration Electrical Engineering Corporation (REE), Vietcombank (VCB), Vinamilk (VNM) and Coteccons Construction (CTD).

Stocks in the banking groups, retail, securities, real estate and construction also suffered profit-taking pressure and narrowed the uptrend in the final minutes of trading.

The blue-chip index VN30, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, gained 0.27 per cent to 784.30 points.

Twenty of the 30 largest stocks by market capitalisation and trading liquidity in the large-cap basket increased while seven declined.

On the Ha Noi Stock Exchange, the HNX-Index went up 0.77 per cent to end Monday at 113.64 points.

Nearly 55.8 million shares were traded on the two exchanges, worth VND595 trillion.

Macro & Policies

2. North-South expy project: Ministry says no to ineligible investors

To assess investors, the ministry will apply a method related to the State capital contribution to the projects, which means that investors who tap the smallest amount of State funding to develop the projects will be preferred, said Bui Quang Thai, deputy head of the ministry's PPP Department, reported Nguoi Lao Dong newspaper.

After some 20 days of bidding forms being issued, the project management units under the ministry have sold 14 applications to investors who passed the first preliminary qualification round for five component projects of the expressway—the National Highway 45-Nghi Son, Nghi Son-Dien Chau, Dien Chau-Bai Vot, Nha Trang-Cam Lam and Cam Lam-Vinh Hao.

After buying the bidding forms, investors will have 60 days to prepare and submit the bidding documents. The open bidding is set for September 20, after which the bidding documents will be evaluated, according to Thai.

The ministry will negotiate and sign contracts with winning bidders in December this year to break ground for these components in early 2021 and put them into operation in 2023, the official added.

Although participating investors already had their experience and capacity assessed in the preliminary qualification round, the ministry will keep reviewing the qualifications of investors through further bidding rounds.

In the bidding invitations, the ministry specified that the winning bidders will have six months to mobilize credit capital starting from the date they signed the contracts and will cancel the contracts and confiscate the contract guarantee if the investors fail to seek bank loans by the deadline.

The guarantee is equivalent to 1-3% of the contract's value as regulated in the Law on Bidding. These requirements are in line with the Government's Resolution 20/2018 aimed at addressing the inadequacies of previous build-operate-transfer projects and ensuring the projects will be implemented as scheduled and that only qualified investors participate in them.

3. Database sharing important to developing e-government

The Ministry of Information and Communications is compiling an e-government development strategy, with services a pillar in Việt Nam's socio-economic development model.

Under the draft strategy which has been made public for comments, the development of e-government will be associated with the process of digital transformation and smart urban development and ensuring network safety and security.

Accordingly, all operations of State management will be digitalised to lead the national digitalisation process.

Citizens and enterprises will be centre of the digitalisation process which will aim at improving transparency, simplifying administrative procedures and creating convenience when accessing public services.

The most important thing was developing a database system and data sharing mechanism between State management agencies, according to the ministry's Authority of Information Technology Application.

The strategy aims to link the development of e-government with Vietnamese digital technology enterprises which have core technologies and open platforms to serve digital government services.

Notably, enterprises could participate in providing public administrative services.

By 2025, 100 per cent of national databases to serve e-government, including the database about population, land, business registration, finance and insurance, are hoped to be completed, connected and shared on a nationwide scale.

A representative from Vietnam Posts and Telecommunications Group said it was important to develop databases and data sharing to launch the digital government services.

It was also necessary to carry out reviews on the process of transition from paper-based to digital and develop procedures for digital government services.

Prime Minister Nguyễn Xuân Phúc has approved the list of members of the National Committee on e-government, in effect from July 31. The PM chaired the committee.

The committee is in charge of studying and proposing policies, strategies and mechanisms to create a legal framework for the development of e-government towards a digital Government, digital economy and digital society to create favourable conditions for implementing Industry 4.0 in Việt Nam.

According to the United Nations' recent report themed 'Digital Government in the Decade of Action for Sustainable Development', Việt Nam ranked 86 out of 193 countries in the e-Government Development Index, moving up two spots from 2018.

4. HCM City transport department wants to collect infrastructure fees at ports

The volume of cargo handled by them is growing at 5 per cent a year, with the goods brought mainly by road, meaning the number of container trucks going in and out of the ports is huge.

On average, 26,000 vehicles come to the ports every day but the road network around them has not developed commensurately, resulting in prolonged congestion, according to the department.

The city has been investing large amounts of money every year in transportation networks, infrastructure and public services at or near ports that serve foreign trade.

But funds are limited and so fees should be collected from users of public facilities, the department said.

According to figures from the Association of Viet Nam Seaports, HCM City ports' throughput in 2018 was 6 million TEUs and Hai Phong ports' was 2 million TEUs.

But Hai Phong collects fees at its ports, with the northern city's People's Council saying they amounted to VND1.29 trillion (US$56 million) in 2018.

Revenue from the fees could also be used to invest in infrastructure for business activities, which would help make HCM City a smart city and improve its logistics services, according to the department.

5. Bad debts tend to rise despite slow credit expansion

The first-half financial statements of big banks like Vietcombank, the Bank for Investment and Development of Việt Nam (BIDV) and Vietinbank all indicated an increase in non-performing loans (NPLs).

Total NPLs of Vietcombank increased 11 per cent in the last six months, pushing the bad debt ratio up to 0.83 per cent from 0.79 per cent, of which subprime loans jumped 58 per cent and doubtful debts climbed 56 per cent.

Ending June, NPLs at BIDV grew 17 per cent over the beginning of the year, of which subprime and doubtful loans increased by 11 per cent and 21 per cent, respectively. The lender's bad debt ratio increased from 1.75 per cent to 2 per cent.

The ratio of bad debt to outstanding loans at Vietinbank rose from 1.16 per cent to 1.7 per cent after NPLs jumped 48 per cent in the first half. Subprime and doubtful debts climbed 250 per cent and 84 per cent, respectively.

This trend could also be seen in smaller banks.

Sacombank's bad debt ratio increased from 1.94 per cent to 2.15 per cent by the end of June. This ratio was 1.93 per cent in Orient Commercial Joint Stock Bank (OCB), up from 1.84 per cent at the beginning of this year.

Asia Commercial Bank's bad debt ratio was up from 0.54 per cent to 0.68 per cent after NPLs climbed 32 per cent to VNĐ1.9 trillion (US$82.3 million), excluding debts worth VNĐ2.08 trillion at ACB Securities.

Bad debts at Eximbank increased 12 per cent to VNĐ2.16 trillion by the end of June, lifting the bad debt ratio to 2.08 per cent from 1.71 per cent.

The COVID-19 pandemic had negatively affected business activities, leading to an increase in NPLs at many banks, even though banks have rescheduled debts for customers affected by the pandemic until the end of September 2020 under the direction of the State Bank of Việt Nam (SBV).

According to Trần Du Lịch, a member of the National Advisory Council on Financial and Monetary Policies, rising bad debts at banks is inevitable but are still under control.

In fact, the central bank has warned bad debt of the whole industry will likely increase to 3-4 per cent this year, which is still kept in check, with banks quickly setting up risk provisions.

In the first six months, Sacombank's provision for credit losses increased by 50 per cent to nearly VNĐ1.57 trillion. Eximbank also set aside more than VNĐ220 billion for a loan loss reserve fund which lowered its pre-tax profit by 28 per cent to VNĐ552 billion.

Increases in subprime and doubtful debts also compelled OCB and Vietcombank to increase its loan loss provisions by 49 per cent and 21 per cent, respectively.

Credit to rise slowly in H2

A recent report of SBV showed demand for credit was very weak in the recent past, especially in April and May when the country was affected by the lockdown due to the pandemic.

Credit increased by just 0.12 per cent in April and 0.53 per cent in May and improved by 1.28 per cent in June. By mid-July, credit expansion reached a seven-year low at around 4 per cent.

In its July report, Bảo Việt Securities (BVSC) said liquidity of the banking system is still abundant, reflected in very low interbank interest rates (0.15-0.3 per cent per annum for overnight, 1-week and 2-week terms).

BVSC expects credit to improve in the second half albeit slowly amid the complex developments of the pandemic in the country, making enterprises more vigilant on business prospects and production expansion plans.

Credit growth for the whole year is forecasted at around 10 per cent.

Meanwhile, a survey on business trends in the third quarter of 2020 of credit institutions, conducted by SBV's Monetary Forecasting and Statistics Department, showed credit institutions have lowered their forecasts on outstanding loan growth in two consecutive survey periods.

The outstanding credit of the banking system is predicted to grow by 3.5 per cent in the third quarter and 10.5 per cent in 2020, considerably lower than the expectation of 13.1-14.1 per cent, respectively recorded in the two previous surveys.

The pressure to set money for loan losses reserve fund is expected to greatly affect the income and pre-tax profit of banks in 2020.

Finance-banking expert Cấn Văn Lực also predicted although credit demand will recover in the last half, credit growth for the whole year will not be too high at around 9-10 per cent.

6. China no longer top clothes exporter to US as Vietnam gains market share

US apparel imports from China, by value, dropped from almost 30 per cent in 2019 to 20 per cent in the first half of 2020, now on par with Vietnam after the Southeast Asian nation improved its market share from 16 per cent over the same period, according to the US Department of Commerce.

The erosion of the Chinese position in the US fashion supply chain partially reflects growing tensions, as American fashion firms are forced to reduce their exposure to Chinese suppliers in response to the trade war, the coronavirus pandemic and deteriorating bilateral relations.

A survey by the United States Fashion Industry Association, which polled 25 executives from leading fashion companies in the second quarter, found that while most imported from a mixture of countries, including China and Vietnam, 29 per cent said they sourced more from Vietnam than China this year, up from 25 per cent last year.

Data released this week by the office of textiles and apparel under the US Department of Commerce showed that in terms of quantity, China still contributed at least 30 per cent of US apparel imports in the first half of the year.

But, crucially, this was at much lower prices than average, as most Chinese manufacturers and traders reduced their prices heavily to maintain overseas orders and survive weak demand.

The unit price of the US apparel imports from China dropped from US$2.25 per square metre equivalent last year to around US$1.88 in the first half of 2020, a decline of 16 per cent that was much larger than the average 3 per cent price drop of all apparel imports. Prices offered by Chinese suppliers have been around 30 per cent lower than other Asian countries this year.

As of July, around US$30 billion of US textile, apparel and home textile product imports from China, or 90 per cent of the total, were subject to a 7.5 per cent tariffs on top of normal tax duties due to the trade war.

"Should US-China trade tensions continue to escalate, it is likely that US fashion companies will substantially cut their China sourcing further, even if it is not a preferred choice economically," said Sheng Lu, associate professor of fashion and apparel studies at the University of Delaware.

Concerns over forced labour within the clothing manufacturing industry in China's far western Xinjiang Uygur Autonomous Region has been the latest obstacle holding back US imports of apparel and other textile goods from China.

An executive surveyed by the fashion industry association said they had "cancelled orders and shipments; shifted production away from the region completely", while another said they had "worked with third-party auditors to ramp up audit efforts" to ensure their imports were not made with forced labour.

The worsening ties between the US and China has also accelerated the move already underway by Chinese manufacturers and exporters to shift some productions out of China to nearby countries to take advantage of lower labour costs and avoid American import tariffs. However, the shift has been slowed this year due to travel restrictions caused by the pandemic.

"Foreign investments have truly played a critical role in helping Vietnam develop and expand its garment production capacity," added Lu from the University of Delaware.

Over the past three decades, foreign direct investment flowing into Vietnam's textile and garment industry totalled US$19.5 billion, with South Korea being the top source, followed by Taiwan, Hong Kong and China, according to the Ministry of Planning and Investment in Vietnam.

In recent years, China has been exporting fewer finished clothes and more textile materials to other countries, where they are made into garments. In the first seven months of the year, China's exports of textiles increased by 31 per cent, while shipments of apparel and accessories fell by 16 per cent, according to China's General Administration of Customs.

"It is important to recognise that China is playing an increasingly critical role as a textile supplier for many apparel-exporting countries in Asia," Lu said.

Measured by value, more than half of textile imports into other Asian countries came from China last year, compared with 37.2 per cent a decade earlier.

While US fashion firms have been reducing their reliance on Chinese productions

for several years, it will remain a key base for sourcing in the near future, particularly after the coronavirus pushed many firms to cut costs dramatically.

Around 70 per cent of respondents to the fashion industry association survey expected to decrease their sourcing from China through 2022, down from 83 per cent last year.

"It is difficult for our company, and the [product] price point that it serves, to source outside of China," one executive said. "Even with the tariffs, we cannot access the proper fabrics, prices and volumes in other regions. Other regions must develop the capacity for us to leave. Therefore, we are looking at all cost-cutting measures."

7. Vietnam, Japan foster cooperation in industry, trade, energy

The 4th meeting of the Vietnam-Japan Joint Committee on Cooperation in Industry, Trade and Energy was held in Hanoi on August 7 in the form of video conferencing.

The meeting was co-chaired by Vietnamese Minister of Industry and Trade Tran Tuan Anh and Japanese Minister of Economy, Trade and Industry Kajiyama Hiroshi.

The ministers rejoiced at cooperation outcomes between the two sides since the 3rd meeting, especially collaboration within the Association of Southeast Asian Nations (ASEAN), the Regional Comprehensive Economic Partnership (RCEP), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), as well as cooperation in energy, automobile and chemical industries and industrial workforce training.

They reiterated the significance of the joint committee in removing difficulties for businesses and promoting cooperation between the two countries, particularly in the context of the COVID-19 pandemic.

They shared the view that Vietnam-Japan cooperation in trade, industry and energy should go with targets set in the ASEAN-Japan Economic Ministers' Joint Statement on Initiatives on Economic Resilience in Response to the Coronavirus Disease, and the ASEAN-Japan Economic Resilience Action Plan.

Hiroshi lauded the leadership of Vietnam as ASEAN Chair 2020, and committed to further coordination with the country.

The two ministers highlighted diversity, transparency, and sustainability in building a firm supply chain in the industrial sector.

Anh said the Vietnamese Government pledges to perfect the investment environment in the time ahead to facilitate the operation of foreign investors in general and those from Japan in particular.

He appreciated Japan's technical assistance in personnel development in the industrial sector over the past years.

The minister expressed his delight at projects in Vietnam included in Japan's initiative on personnel development in the sphere of auto control software in ASEAN, to be rolled out for the first time this year.

He suggested applying Japan's KOSEN model in personnel development in training facilities of the Vietnamese Ministry of Industry and Trade in order to improve capacity and create more added values for a number of key industries in Vietnam like chemicals, garment-textile, auto and supporting industries.

Both ministers pledged to make efforts for a free, fair, transparent, stable and foreseeable trade and investment environment in Asia-Pacific.

They reiterated commitments to promoting economic integration in Asia-Pacific, and agreed to support each other and closely coordinate at multilateral economic and trade cooperation frameworks of which the two countries are members.

They also discussed other issues like digital transformation, the fourth Industrial Revolution and the free flow of data with trust.

In the field of energy, they said the Nghi Son oil refinery is significant to both sides, and suggested the Vietnamese and Japanese governments facilitate the implementation of the project.

It is necessary to diversify energy resources, step up oil and gas cooperation and promote energy-related policies to meet the increasing demand for energy, they said.

The two countries will also foster collaboration in addressing global challenges like climate change, while mobilising financial resources, including private investment, for energy infrastructure projects and projects on free and competitive energy market development in Indo-Pacific through multilateral frameworks.

Corporate News

8. CMG: Pyn Elite Fund becomes CMC Group's big shareholder

↑ 2.62%

According to the group's financial report in April to June 2020, its net income rose by 5 per cent from the same period last year to VND1.05 trillion while its after-tax profit was double to VND43 billion.

CMC said the high growth was contributed by solution and technology business (67 per cent year-on-year increase of profit). Its global business started to report profit with a hike of 126 per cent from the same period last year.

CMC is one of the biggest IT and telecom groups in Viet Nam. Established in 1993, CMC operates in three main sectors including technology and solution, global business and telecommunications.

9. KDC: Resolution on the dividend payment

↑ 2.25%

The Board of Directors of KIDO Group Corporation approved to pay for the 2019 dividend in cash:

- Record date: August 28, 2020
- Payment date: September 10, 2020
- Dividend pay-out ratio: 16%/ par value (VND1,600/ share)

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