



VIETNAM DAILY NEWS

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Market Analysis

1. Shares move higher amid vaccine hopes

Vietnamese shares extended gains on Thursday on upbeat global market sentiment amid hopes of a potential coronavirus vaccine supply deal.

The VN-Index on the Ho Chi Minh Stock exchange rose 0.96 per cent to end the session at 855.05 points.

It had risen 0.46 per cent to end Wednesday's session at 846.92 points.

More than 256.2 million shares were traded on the southern exchange, worth VND4.5 trillion (US\$195 million).

Market breadth was positive with 294 gainers and 95 decliners.

Asia's stock markets followed Wall Street upwards on Thursday after information that the US government has entered an agreement with drugmaker Moderna Inc to acquire 100 million doses of its potential COVID-19 vaccine.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.2 per cent on Thursday.

President Vladimir Putin also announced Tuesday that Russia had become the first country to grant regulatory approval to a COVID-19 vaccine after less than two months of human testing.

More than 100 possible COVID-19 vaccines are being developed around the world. At least four are in final Phase III human trials, according to the World Health Organization's data.

According to Bao Viet Securities Company, news related to the production of a vaccine is expected to support the market in the short term.

On the Vietnamese stock market, the blue-chip index VN30, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, rose 0.85 per cent to end Thursday at 795.09 points.

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

Vietnamese oil and gas stocks performed well with gainers including PetroVietnam Gas JSC (GAS), Viet Nam National Petroleum Group (PLX), PetroVietnam Drilling & Well Services Corporation (PVD), PetroVietnam Power Corp (POW), and PetroVietnam Technical Services (PVS).

Besides the petroleum industry, financial stocks also grew well with notable gainers including Vietcombank (VCB), Techcombank (TCB), Vietinbank (CTG), HDBank (HDB), VPBank (VPB), Bank for Investment and Development of Viet Nam (BID) and insurer Bao Viet Holdings (BVH).

On the Ha Noi Stock Exchange, the HNX-Index gained 0.66 per cent to end Thursday session at 116.87 points.

The index had lost 0.17 per cent to end Wednesday at 116.10 points.

Nearly 65.9 million shares were traded on the northern exchange, worth VND989 billion.

Foreign investors net sold VND129.25 billion on the HOSE. They were net sellers on the HNX with a value of VND23.99 billion.

Macro & Policies

2. HCM City prioritises key transport infrastructure projects

The HCM City People's Committee has approved a policy on carrying out significant projects with city budget funds that address existing difficulties.

The city is also working on a plan to regulate State and city budget collection and spending in the 2021-2030 period and complete a legal framework for public-private partnership (PPP) investment to attract more investors.

The municipal Department of Transport recently submitted to the People's Committee a plan on transport infrastructure development to 2030, with a budget of around 952.55 trillion VND (41.29 billion USD).

The plan will prioritise the construction of Ring Roads No 2 and No 3 as well as metro lines and flyovers, among other projects.

Director of the HCM City Department of Transport Tran Quang Lam said that in addition to investment capital, project progress must also be carefully considered.

To implement 172 transport infrastructure projects earmarked for 2016-20, the city needs an estimated 323.98 trillion VND.

Funds from the State budget for these projects, however, meet just 27 percent of needs, while PPP investment stands at a mere 13 percent.

Thirty-seven projects, or 21.51 percent of the total, have been completed.

In the last four years the city earmarked 12.48 trillion VND from its budget for 120 projects, while nearly 17 trillion VND was allocated to 13 PPP projects.

3. Supermarkets slash food prices amid Covid-19

The representative of Saigon Co.op said their supermarket chains which include Co.opmart, Co.opXtra, and Co.op Food will all reduce food prices in August as an effort to help their customers. Meat, fish, cooking oil, instant noodles and spices will all have prices deeply cut.

At the Co.opmart Nhieu Loc in District 3, the prices of pork and beef were reduced by 10-20%. A kilo of grounded pork is sold at VND153,000 and the Australian pork sold at VND259,000 (USD11) to VND280,000 a kilo. Many fish prices had price cut by 15%.

A litre of cooking oil costs VND24,000 (USD1) to VND25,000 and instant noodles cost just VND1,000-2,000 a pack.

Pham Quynh Trang from District 10 said since June, her salary has dropped by 20-30% so every expense must be tightened. "Seeing discount prices for meat

and fish makes me relieved. We want to save as much as we can no matter what," she said.

Do Quoc Huy, marketing director of Saigon Co.op said they had prepared a large number of goods for the retail system so customers don't have to worry about food shortage for their daily meals.

"We have worked with hundreds of suppliers and partners on the discount plan for August. The top priority for discount programme is fresh food," he said.

Go! and BigC supermarket chains also offer discount programmes for customers in August. At BigC Market, bacon is VND179,000 (USD7.7) a kilo and the grounded pork price is VND152,000 a kilo. The pork prices, in general, dropped by VND25,000-VND30,000 a kilo.

Customers at BigC To Hien Thanh said they had bought more pork since the discount programme started.

"Usually, I'd buy 1kg of pork belly but today I bought 3kg. I think this programme is very practical and helpful since the incomes of many people have been affected," said Tran Thi Bay from District 10.

The representatives of Go! and BigC supermarkets said pork sales had grown 70%. However, due to a shortage of live pigs, many suppliers haven't lowered the pork prices yet. That's why they started programmes to sell pork at breakeven prices to help customers overcome this difficult time.

4. Disbursement of public investment pursued further

Over many years, Hanoi's Pham Van Dong street has always been jam-packed with vehicles, with traffic jams seen almost every day.

However, the situation will be resolved over the next few months when the 5.37km Mai Dich-South Thang Long flyover will become operational after nearly two years of construction. The project costs more than VND5.34 trillion (\$232 million). Currently, workers are working day and night on the surface of the bridge.

The bridge connects the inner city with Thang Long bridge and Vo Van Kiet road to Noi Bai International Airport, and also connects the city's big industrial parks and Hanoi with northern provinces, making it easier to transport goods.

Not far from this flyover, another is about to be completed, with total investment capital of VND560 billion (\$24.3 million), crossing Hoang Quoc Viet and Nguyen Van Huyen streets. The 278m bridge is being lengthened by a new road that meets with Samsung's \$220 million research and development project.

It is expected that this flyover will also come into use over the next few months.

According to Hanoi People's Committee, these two ventures are among five key state-funded infrastructure projects to be implemented in Hanoi this year, aiming to solve frequent traffic jams which have been a nightmare for residents for years.

Over the next two years, Hanoi will also use its budget to invest into infrastructure projects. In June, the committee adopted a resolution on using VND34.64 trillion (\$150.6 million) to fund the construction of six new large-scale flyovers in the

inner city by 2022. The committee also decided to pour money into another four transport and technical infrastructure projects, with the total capital of VND713.3 billion (\$31 million).

In 2020, the city was given VND40.67 trillion (\$1.77 billion) for public investment by the government. In the first seven months of 2020, the rate of public investment disbursement hit 48.6 per cent, which is expected to be 100 per cent until the year's end.

Hanoi is among many localities nationwide hurrying up public investment disbursement with a high rate. The government last week reported that the average rate increased 52 per cent on-year in the first seven months of 2020. In the first five months, the rate was only 26.2 per cent.

"There has been good progress in public investment disbursement, but the speed must be accelerated," said Prime Minister Nguyen Xuan Phuc, demanding that amid the complicated COVID-19 affecting all economic sectors, "boosting public investment disbursement must be considered a prime political task now."

"If we fully disburse all VND633 trillion (\$27.5 billion) worth of public investment nationwide for 2020, GDP will rise by an additional 0.4 per cent, and more private investment will be attracted, more employment will be created, and more materials will be consumed," PM Phuc said.

In the first half of the year, the economy grew only 1.81 per cent on-year, and the government is expected to reach the rate of about 2.8-3 per cent this year, which will be spurred on significantly by public investment disbursement.

According to the Ministry of Finance, as of July 31, 12 ministries and central agencies, and 38 localities reached a disbursement rate of over 35 per cent, including six hitting over 55 per cent. These include Vietnam Cooperative Alliance (100 per cent), Vietnam Bank for Social Policies (99.4 per cent), the Ministry of Home Affairs (62.8 per cent), Vietnam Development Bank (61 per cent), and the provinces of Tien Giang (74 per cent), Nghe An (69.2 per cent), Lang Son (63.4 per cent), Hung Yen (58.2 per cent), Ninh Binh (56.8 per cent), Phu Tho (56.3 per cent), Ha Nam (55.5 per cent), and Thai Binh (55.2 per cent).

The government has ordered ministries and localities to quickly review all state-funded projects so that they can be both constructed and put into operation soon, in service of socioeconomic development and attracting more private investment.

PM Phuc also last week reiterated that all projects with slow disbursement have to see their investment capital transferred this month. Leaders of ministries and localities with such projects will face possible punishments.

5. Demand for industrial real estate remains high as more companies relocate to Vietnam

The US-China trade war, expanded public investments and new free trade agreements have driven companies to diversify and relocate into Vietnam's industrial parks, in turn boosting leasing demand for industrial real estate, according to Viet Dragon Securities Company (VDSC).

Mounting environmental pressure has led many Chinese and foreign multinationals to relocate their factories to Southeast Asia. More importantly, many are looking to offset the business risks from the intensification of the trade war between the US and China.

Additionally, a low-cost labor force, stable political environment and one of the world's fastest growing economies have also been appealing features making Vietnam an attractive investment destination, stated the VDSC in a report.

To date, Vietnam's estimated labor costs are equal to 52% and 64% of that of China and three ASEAN competitors' average - Thailand, Indonesia and Malaysia.

In the first seven months of this year, while foreign direct investment (FDI) commitments declined by 6.9% year-on-year to US\$18.82 billion, manufacturing and processing continued to attract substantial attention with investment capital of over US\$8.96 billion, or 47.6% of the registered tally.

Major parts of these inflows have been channeled to industrial parks and economic zones in Hanoi and

Bac Ninh in the North and Ho Chi Minh, Dong Nai and Binh Duong in the South, informed VDSC.

Prosperous year for industrial park owners

With high demand for leasing, rental prices, accordingly, increased by 10% as of present compared to the end of 2019, while VDSC expected demand for leasing will continue to be high.

Therefore, it should be a prosperous year for industrial park developers, especially those owning large and available land banks, stressed VDSC.

In the North, Bac Ninh and Hai Phong were still notable industrial markets, thanks to their massive supply. Kinh Bac City Development (KBC) and Viglacera (VGC) have huge leasable land banks with 900 hectares and 1,150 hectares, respectively. These land banks represent a major part of the northern industrial land and possesses favorable standings, mostly in Bac Ninh, Hai Phong. This should help KBC and VGC better capture rental demand from electronics and parts & accessories FDI enterprises.

Meanwhile, the shortage of available land has become an issue in the South due to high current occupancy rates while supply has been limited. Although Covid-19 may be causing temporary difficulties, there is still a strong demand for industrial space. The average price for industrial land in Southern Vietnam is at US\$106 per square

meter per lease term, up 9.7% year-on-year, according to a JLL report.

Buoyed by strong fundamentals, Vietnam has attracted interest from investors, who are actively looking into joint ventures with local industrial developers or to acquire land bank and operating assets, added VDSC.

6. New rule, portal developed for corporate bond market

The rule is applied to all joint-stock and limited-liability companies and all individuals and organisations involved in the corporate bond market, both domestic and international.

The portal has been developed upon Decree 163/2018/NĐ-CP dated December 4, 2018, to receive companies' filings on their bond issuance.

Since April 2019, companies have publicised the details of their bond deals on the HNX's website during the development of the portal.

The content posted on the portal includes pre-issuance information disclosure, disclosure on bond conversion and bond buyback, and issuance reporting to serve investors' need for information and the Ministry of Finance's request on statistics and data collection.

Companies have to send information to the HNX to be posted on the portal and they are held accountable for the accuracy, transparency and punctuality of the disclosures.

The HNX assesses the filings in three working days and the regulator can ask companies to change the filings. The disclosures are posted on the portal within five days of the final edition being approved.

The HNX will report every six months and every year to the Ministry of Finance and the State Securities Commission on the Vietnamese corporate bond market with companies issuing bonds in both domestic and international markets.

Total corporate bond issuances in the first six months of the year were worth VNĐ159 trillion (US\$6.89 billion), up 50 per cent year-on-year with banks and real estate companies the biggest issuers.

7. Singaporean logistics mainstays keen on expansion

Jeffrey Tan, group head of Corporate Development and Network & Connectivity at YCH Group, told VIR that there is renewed interest of foreign direct investment shifts due to rising cost pressures from the US-China tariff retaliation and countries like South Korea and Japan moving the manufacturing activities to ASEAN countries like Vietnam.

Manufacturers also see Vietnam as an attractive base, with wages being the second lowest in Southeast Asia and warehouse or factory infrastructure costs being lower than China, India, Indonesia, and Malaysia. The country's skilled labour, geographical proximity to China, and its free trade agreements, which include pacts with the EU and South Korea, put Vietnam in an ideal position to capitalise on the effects of the US-China trade tensions.

"YCH is committed to increasing our investment in Vietnam by developing key logistics in north Vietnam, which includes warehouse, a logistics centre, and an inland dry port. We are also planning to increase and enhance our existing investment in Ho Chi Minh City, for additional warehousing capacity and a major logistics infrastructure project," Tan said.

Since its entry in 2009, YCH has built extensive networks, asset footprints, and partnerships within Vietnam and is well-positioned to meet the current and future supply chain requirements of the market. Coupled with its deep-rooted understanding of Asia-Pacific and in-depth presence, this enables the company to empower its customers to achieve a comprehensive footprint and a seamless global connectivity not only within Vietnam, but

throughout the ASEAN region and beyond,” Tan said.

On the same note, Chun How Loh, general director of APL Logistics Vietnam Co., Ltd., told VIR, “We have witnessed firsthand the surging manufacturing effects of the US-China tensions in Vietnam, which are causing massive disruptions in industrial real estate, labour supply, and logistic services as factories struggle.”

“While the pandemic and geopolitical situation has distorted some of these trade patterns and left a consequential impact on production in Vietnam, we remain highly optimistic that Vietnam will be one of the first to recover to pre-pandemic levels,” Loh said.

To capitalise on the opportunity, APL Logistics continues to expand its warehouse footprint in Ho Chi Minh City. The company has also doubled its warehouses rapidly in northern Vietnam. APL Logistics plans to continue to invest to further expand that capacity.

Elsewhere, omnichannel logistics and channel management solutions firm UrbanFox, a subsidiary of Keppel Logistics, is expanding its presence in Vietnam. UrbanFox has tied up with Keppel Land to establish online-to-offline (O2O) capabilities at the Estella Place shopping mall in Ho Chi Minh City, as reported by The Business Times. The O2O features allow shoppers to purchase the mall's products at either its physical stores or webstore. Customers can also opt for in-mall collection or home delivery services. Moreover, interactive kiosks have been set up in the mall to highlight promotions and products.

Meanwhile, Scommerce, the parent company of startups Giaohangnhanh (GHN) and AhaMove,

wrapped up its latest and largest funding round led by Singapore's state-owned investment company Temasek in 2019. Although the funding amount was not disclosed, it is said to be worth up to \$100 million.

Founded in 2012, Scommerce is one of the leading e-logistics service providers in Vietnam, offering last-mile express and instant delivery, as well as business-to-business trucking and fulfilment services under the brands GHN and AhaMove. The two have been delivery partners for Vietnam's four largest e-commerce platforms – Shopee, Tiki, Sendo, and Lazada – as well as over 100,000 small- and medium-sized online merchants.

In 2019, Singapore-based Symphony International Holdings Ltd. acquired a significant minority stake in Vietnamese Indo Trans Logistics Corporation (ITL) for approximately \$42.6 million.

According to market research by tech firm Reportlinker, the logistics market in Vietnam is in a transition stage and the demand for logistics is rising strongly. High economic growth, increasing domestic manufacturing, rising consumption, and booming e-commerce are some of the key drivers of the Vietnamese freight and logistics market. However, weak transport infrastructure and high logistics costs remain market restraints. Moreover, the booming e-commerce in Vietnam facilitates startups with innovative technologies demanding more efficient logistics services, especially in the areas of last-mile delivery and value-added services.

As the country's logistics market is becoming more liberalised, new opportunities for businesses to cash in on the rising demand are created.

Corporate News

8. DGW: Digiworld unable to grasp market

↑ 0.71%

Along with Mobile World and FPT Retail, Digiworld became an official distributor of US tech titan Apple through a strategic partnership in late June. Through the deal, Digiworld is responsible for distributing authentic Apple products including iPhone, iPad, MacBook, Beats, Watch, and more.

The cooperation between the two sides took place with the retailer being left behind by Mobile World and FPT Retail – companies that have taken the majority of the market with thousands of outlets across the country. So far, Digiworld's mobile retail market share is about 8 per cent, while those of Mobile World and FPT Retail are 45 and 18 per cent, respectively. Mobile World is expecting to raise the ratio to around 50 per cent this year.

The new deal with Apple was expected to enhance the reputation of Digiworld. However, its stock price (HSX: DGW) has declined after an increase in June when it climbed 8.29 per cent to VND42,600 (\$1.85) on the heels of the Apple partnership announcement.

According to an assessment from SSI Securities Corporation, despite positive prospects reflected by annual growth in revenue and profits, Digiworld's partner network with new brands is still inferior compared to its competitors.

Digiworld only works with five smartphone manufacturers, with HTC and Nokia losing their grip to Apple and Samsung many years ago. Meanwhile, Mobile World and FPT Retail have entered into cooperation with dozens of smartphone brands, partially facilitating their dominance of the market.

Moreover, according to market analysts, with the local demand for smartphones and technology devices reaching the saturation point, it seems the alliance with the iPhone maker is unlikely to create any real breakthrough for Digiworld.

Germany-based market research company GfK noted that in the first quarter of 2020, the total

revenue of the Vietnamese tech device market curtailed by 4.2 per cent on-year to VND56.7 trillion (\$2.46 billion). Last year, the market only grew a single percentage point as it forecasted in 2018.

On the other hand, Digiworld suffers in comparison to its two arch-rivals even in Apple product distribution as the other two hold nearly 80 per cent of total authentic Apple sales.

According to an unofficial source, Apple last year reached about \$1 billion in revenue in the country. Thus, Mobile World and FPT Retail could earn about \$800 million from trading these products.

In response to VIR, a representative of Mobile World said that Apple products account for nearly one-fifth of its total sales. Meanwhile, more than one-third of FPT Retail sales came from the products, following its latest financial report.

Consequently, Digiworld's chances to dominate the segment are miniscule. The retailer declined to reveal the specific estimated contribution of sales of Apple products, only mentioning “positive prospects” following information published at its recent shareholders' meeting.

Indeed, before Digiworld, many local companies such as Imex Pan Pacific (IPP), iShop Vietnam Co., Ltd., and FPT entered into partnerships with Apple to sell authentic goods through Apple Premium Reseller (APR) stores. Most recently, Petrosetco set foot in the list of Apple product distributors in the nation and iShop Vietnam failed within a few years. Meanwhile, eDiGi (IPP's APR store) has remained silent since its launch in 2018, and FPT Retail – which runs 14 APR stores named F.Studio – is planning to steadily lower the number of outlets, partially fuelled by the saturation.

In April alone, FPT Retail closed 170 stores, equalling one-third of its stores across the country.

Through constant tie-ups with local partners and building up some manufacturing facilities in Vietnam, Apple is targeting to penetrate the market, which is considered the second-largest

smartphone market in Southeast Asia following Indonesia, according to a report by GfK.

9. GMD: GMD signs an Auditing Contract

↑ 0.72%

Gemadept Corporation has signed an auditing contract with Auditing and Consulting Co., Ltd (A&C) to audit its financial statements in 2020.

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