



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index edges down in sedate session

The VN-Index fell 0.07 percent to 850.15 points Monday, with trading volume down sharply compared to last Friday.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw 233 stocks lose and 153 gain. VND3.85 trillion (\$166.82 million) worth of shares changed hands this session, down 25 percent over the previous session, and far below July's average of VND4.5 trillion (\$194.98 million).

The benchmark index had remained deep in the red throughout most of the trading day, falling as low as 842 points, before buying pressure brought it back above the 850-point support level at the close of the day.

During the day, national brand SJC gold fell 1.34 percent over the previous day, to VND53.88 million (\$2,333) per tael, while State Bank of Vietnam Governor Le Minh Hung at a morning meeting reiterated its stance on low interest rates, asking banks to continue restructuring and recovering bad debt to maintain "supportive" rates for Covid-19 stricken businesses.

The VN30-Index for the stock market's 30 largest caps shed 0.06 percent, with 18 losing and 7 gaining.

Real estate was one of the worst performing sectors in this basket, with ROS of FLC Faros down 2.2 percent, TCH of Hoang Huy Group, which also deals trucks, down 2 percent, and KDH of Khang Dien House and VHM of Vinhomes keeping their reference prices.

Oil and gas tickers finished in the red, too. POW of electricity generator PetroVietnam Power dropped

1.3 percent, PLX of petroleum distributor Petrolimex, 0.9 percent, and GAS of energy giant PetroVietnam Gas, 0.4 percent.

Other major losing stocks included VRE of mall operator Vincom Retail, down 1.3 percent, MWG of electronics retailer Mobile World, down 1.1 percent, and SSI of top brokerage Saigon Securities Inc., down 0.7 percent.

Of Vietnam's three biggest lenders by assets, BID of BIDV shed 0.8 percent, CTG of VietinBank remained flat, while VCB of Vietcombank gained 0.4 percent.

Private banks saw mixed results, with VPB of VPBank and STB of Sacombank both falling 0.5 percent, EIB of Eximbank keeping its opening price while TCB of Techcombank and HDB of HDB gained 1.5 percent and 0.8 percent respectively.

Other major gaining stocks were HPG of leading steelmaker Hoa Phat Group, up 0.8 percent, FPT of IT services giant FPT, 0.4 percent, and VIC of private conglomerate Vingroup, 0.3 percent.

Meanwhile, the HNX-Index for the Hanoi Stock Exchange, home to mid- and smaller-caps, rose 0.84 percent, and the UPCoM-Index for the Unlisted Public Companies Market added 0.21 percent.

Foreign investors continued to be net sellers for the seventh straight session to the tune of VND102 billion (\$4.42 million) on all three bourses, with VHM of Vinhomes and MSN of food conglomerate Masan Group (down 0.8 percent) the most offloaded stocks.

Macro & Policies

2. Vietnamese goods make up high proportion of domestic supermarket system

The data was given during a recent conference held by the MoIT aimed at reviewing plans to develop the domestic market in association with the "Vietnamese people give priority to using Vietnamese goods" campaign for the 2014 to 2020 period. In terms of traditional retail channels, the proportion of local products at markets and in convenience stores makes up 60% or more, with key products reaching over 80% of the target set out in the plan.

Most notably, beginning early this year amid the spread of the novel coronavirus globally, many businesses have witnessed their export markets become disrupted, resulting in installed raw materials sources and orders. Indeed, the domestic market is viewed as a significant enough playground for local businesses to exploit whilst overcoming the various difficulties and challenges they face.

Statistically, despite the total retail sales of goods and services during the first seven months of the

year falling by 0.4% in comparison with the same period in 2019, the total retail sales of goods during the reviewed period still accounts for 79.2%, an annual increase of 3.6%.

Therefore they are able to meet the essential needs of people whilst ensuring a consistent supply of raw materials, fuel, machinery, equipment, and goods to maintain production and business activities with regard to domestic and export markets.

Tran Duy Dong, head of the Domestic Market Department under the MoIT, says that in the context of the Vietnamese economy joining several new generation FTAs, especially the EU-Vietnam Free Trade Agreement (EVFTA) which came into effect at the beginning of August, efforts must be made to improve the competitiveness of Vietnamese products. These moves should be co-ordinated in an efficient manner in the retail system in order to prevent Vietnamese products from being dislodged.

3. Local steel firms face challenges in exporting to EU despite FTA

Trinh Nguyen Khoi, vice chairman of the Viet Nam Steel Association, said to enter the European market, steel products must meet strict standards that force local manufacturers to change their production processes and business practices.

Besides that, according to the association, the EU market accounts for about 4.2 per cent of Viet Nam's total steel exports. Meanwhile, traditional markets such as ASEAN and China account for a large proportion, nearly 55 per cent and 19 per cent, respectively.

"Consumption growth of Viet Nam's steel products in the European market has not been high as in emerging markets such as China or other developing countries," Khoi told the Vietnam News Agency.

"Despite having advantages in export to the EU according to the EVFTA, Viet Nam's steel products still have to compete with steel products made by

countries having developed steel industry such as China, Japan and South Korea," Khoi said.

Doan Danh Tuan, Toan Thang Steel Trading Co, Ltd's chairman of the management board, said the challenge for local steel products in accessing the EU market is strict quality standards. Therefore, local businesses must improve production technology to meet their standards.

The EU also has strict requirements on the origin of goods so the domestic enterprises must have transparency in the origin of products, he said.

To grasp export opportunities from EVFTA, some experts on the domestic steel industry said an important solution is to promote market research and forecast, including trends of supply, demand and prices as well as the ability to apply technical barriers to trade activities in the EU market.

The State should provide early warnings about technical barriers for enterprises in the value chain of producing Vietnamese export goods to local export firms to overcome technical barriers.

Nguyen Van Sua, the former vice-chairman of the Viet Nam Steel Association, said amid high competition and the COVID-19 pandemic, Viet Nam's steel exports to the EU market have reduced. The trend of applying trade remedies continues to maintain, making it difficult to expand export markets.

Meanwhile, besides meeting technical, quality and origin requirements, local enterprises need to pay more attention to the provisions of trade defence in each free trade agreement (FTA) to reduce unnecessary damage in trade defence lawsuits, Sua said.

A representative of the Hoa Sen Group said in the first half of June, Hoa Sen exported 35,000 tonnes of galvanised steel sheet to the European market. Up to now, this is the largest such shipment from a Vietnamese company to the European market.

However, the representative said, to export those to this market, the group has built a long-term investment strategy for research and development of products to improve technology production and product quality, reported Sai gon giai phong (Sai Gon Liberation) newspaper. In addition, it has upgraded its distribution activities to ensure timely delivery to customers in Europe.

Many other steel enterprises such as Hoa Phat, Toan Thang, Ton Dong A Corporation and Nam Kim Steel are improving quality of products and services to meet ISO 9001.2015 standard that is the basic standard for sustainable exports of Vietnamese steel products to the European market.

4. HCM City landlords have little choice but to cut rents as 2nd wave of COVID-19 hits

During the first COVID-19 wave, when the entire country was under social distancing in April, she first reduced the rents to \$1,100.

But at the end of July, when a new wave came, brokers asked her to reduce the rent further to \$900, saying since foreign experts could not come to Viet Nam in the absence of commercial flights, they have to do so to attract Vietnamese renters.

"I do not know how long the pandemic will last," Minh said.

"The longer I leave the house empty, the more losses I will suffer since I still have to pay interest on the loan."

Not only high-end apartments, but also mid-priced and affordable apartments and townhouses face strong pressure to reduce rents.

Tran Minh Trieu, the owner of two apartments and a townhouse in District 7, said his total lease income used to be VND35 million (\$1,500) per month, but he has had to reduce rents two times in the last five months by a total of 25 per cent.

"I also have difficulties because I am paying VND25 million per month for a loan. But if I do not reduce the rent, my tenants will leave."

Landlords of commercial spaces face similar difficulties. On major roads in the city's central districts, it is common to see rental signs going up after cafes, milk tea shops, restaurants, and fashion stores closed down due to a lack of customers.

Many landlords have cut rents by 30-40 per cent, but still cannot find tenants.

Tran Khanh Phong, who owns three commercial spaces in District 1, said he used to earn more than VND180 million (US\$7600) a month, but recently cut rents by 50 per cent.

"Two tenants have stopped renting my place, and I expect the remaining tenant to also stop soon.

"I am suggesting that if they sign a new contract they will get a 30-40 per cent discount for a year, but they are hesitant because they do not know when the business situation will return to normal."

Businesses in the food and beverages and fashion sectors could only sustain losses for a maximum of six months, and so if they do not see good prospects soon, they should close down, experts said.

Tran Trong Tien, owner of a fashion shop on Le Quy Don Street in District 3, said: “The social distancing campaign has ended. But people have now reduced spending on unnecessary things including new clothes. I am worried.

“If I make losses for three to five months, I will definitely go bankrupt. So I am thinking of returning the premises to the landlord or subletting it.”

Recently many retail giants too have asked landlords to reduce rents.

F&B firms like Golden Gate Group, Trung Nguyen Legend, The Coffee House, and Starbucks and retailers such as Mobile World Joint Stock Company, FPT Shop and Mai Nguyen Shop have all asked landlords to reduce rents by 30-50 per cent until year-end.

A recent survey by Savills found 57 per cent of tenants hoping landlords will reduce rents by 40-50 per cent, while landlords were reluctant to cut them too much, with many saying the maximum possible is 30 per cent.

5. Real estate bond issuances hit 2 billion USD in H1

Enterprises in the real estate sector issued some 45.59 trillion VND (around 2 billion USD) worth of bonds in the first half of this year, equal to 80 percent of the figure in 2019 as a whole.

The growth was attributed to the safety of bonds compared to other investment vehicles currently facing fluctuations, said Nguyen Duc Quan, director of the Asia - Pacific Securities Joint Stock Company.

Lower deposit interest rates at banks also contribute to fuelling the flow of capital into the bond market, he added.

Financial and banking expert Nguyen Tri Hieu, meanwhile, warned that a lack of sound control may lead to a bursting of the bond bubble after a short period of heated growth, like a decade ago.

The COVID-19 pandemic is expected to plague the real estate market in another way, with companies likely to face difficulties from plunging transaction numbers and the distinct possibility of bankruptcy.

Ineffectively run businesses may be unable to pay bond holders when the due date arrives. The fact that real estate companies have quickly issued bonds has made some experts concerned about a host of associated risks.

6. Investors heavily oversubscribe for three component projects of North-South Expressway

The appeal of these component projects was evident at the pre-bidding conference organised by Thang Long Management Board and No.7 project management board under the Ministry of Transport (MoT) on August 14. Notably, in order to ensure safety in the context of COVID-19 pandemic, the organising board allowed only one representative of each contractor to join the conference, but the meeting room was still full.

The sections are The Mai Son-Highway 45 Expressway, Highway 45-Nghi Son Expressway, and

Phan Thiet-Dau Giay sections of the North-South Expressway, which have been changed from the public-private partnership (PPP) to the public investment model in mid-June by the National Assembly.

Le Quyet Tien, head of the Transport Engineering Construction and Quality Management Bureau, said, “In order to ensure transparency and create the most favourable conditions for the contractors, we will directly answer their questions here and offline via sending documents to interested contractors.”

Since the MoT approved the model of opening bidding for the three component projects, 120 private contractors and joint venture contractors bought approximately 300 dossiers, 113 of which are for Mai Son-Highway 45 Expressway segment and 106 are for the Vinh Hao-Phan Thiet segment.

Duong Viet Roan, the director of Thang Long Management Board said that according to the plan, the construction of a number of the 13 bidding packages will start in late September this year. The construction of the remaining packages will start in October. As of now, the land clearance of these components is 80 per cent complete.

7. Vietnamese logistics in high need of young talent

The Vietnam Young Logistics Talents 2020 contest was officially kicked off in early August and will last until December as part of the effort to deal with the difficulty and to raise people's awareness about the importance of logistics development in economic development.

According to a recent study from the Vietnam Logistics Business Association (VLA), from now to 2030, the country will need about 250,000 employees for the logistics service industry to serve business demand and the sector's development.

The aim of the 2020 edition of the contest was to unleash innovative ideas at the semi-final and final rounds.

The four-month tournament will hold the final round in Hanoi, promising a thrilling competition among excellent teams.

The Vietnam Young Logistics Talents competition has been launched in 2018 with support from the Agency of Foreign Trade under the Ministry of Industry and Trade, attracting the interest of students nationwide.

In 2019, the contest attracted 400 teams from 40 universities and colleges and education establishments nationwide. As expected, the number of participating teams will rise further this

year, driven by the growth of the industry and due attention from universities and schools in logistics training.

Ngo Huong, a member of Logi team from the Banking Academy, which won last year's competition, said, "Despite being a newly-launched contest, its scale and professionalism has made it an attractive playground for students. Especially, the competition not only welcomes logistics students but also those with a strong interest in logistics. This was a motivation for us to win the award."

As Vietnam integrates ever-deeper into the global economy, logistics has become one of the sectors with the highest growth in the past years, with 12-14 per cent according the Logistics Vietnam Report 2019 of the Ministry of Industry and Trade.

At present, local logistics firms are still struggling to seek skilled manpower who have good skills, professionalism, and English skills. This is a challenge for Vietnam amidst the strong development of the industry.

2019 marked an important landmark in logistics training at universities as many universities officially opened a major in logistics. As of October 2019, among the 286 universities nationwide, 28 had a logistics major. However, the improvement has yet to meet the growing demand.

Corporate News

8. VNM: Vinamilk to invest another \$41 mln in Laos subsidiary

↑ 0.26%

It said in a statement the money would be used to complete the organic dairy farm being set up by the Lao-Jagro subsidiary in the northern province of Xiangkhouang with 4,000 cows.

It will also invest a high-tech dairy farm with 4,000 cows.

Lao-Jagro was established in 2015 with Vinamilk holding a 51 percent stake and Laotian and

Japanese investors the rest to develop dairy farms with Japanese livestock.

Last year it began construction of the first phase of the organic farm on 5,000 hectares at a cost of \$120 million, and it will be completed this year.

Vinamilk said the location, Xiangkhouang plateau, has ideal conditions for dairy farming thanks to its similarities to the low hills of New Zealand.

9. MSN: Masan to issue bonds worth \$345.4m to augment working capital, pay debts

↓ -0.75%

In a first issuance scheduled for this quarter, Masan plans to make a private placement of 43 bonds worth VND4 trillion (\$172.37 million).

They will be issued in the local currency at face value for a term of three years, according to information disclosed on the State Securities Commission and HCM City Stock Exchange's websites.

They will be non-convertible, without warrants and not guaranteed by assets.

Interest will be paid half-yearly at a rate of 10 per cent for the first year and reference rate plus 4 per cent from the second year. The reference rate refers to the average of 12-month deposit interest rates paid to individuals by Agribank, Vietcombank, VietinBank, and BIDV.

The money will be used to augment the working capital and make investments in various programmes and projects.

Masan said it plans to repurchase the bonds after 12 months from the date of issue.

In its second issuance, Masan plans a maximum of VND4 billion worth to the public in nine stages.

They will also have a three-year tenor and be issued in the last quarter of this year or in 2021.

The coupon rate will depend on the issuance stage and fluctuate between 9.8 per cent and 10 per cent for the first year and then the reference rate plus 3.8-4 per cent.

The company said it would use VND3 trillion (\$129.4 million) to pay debts owed by VinCommerce, and VND1 trillion to augment the capital of The Sherpa, a market research and consulting firms that began operations in June.

Masan Group Corporation reported consolidated net revenues of VND35.4 trillion (\$1.52 billion) for the first half of the year, a year-on-year increase of 103.3 per cent.

This was driven primarily by high double-digit growth by The CrownX, an integrated consumer-retail platform.

Masan's profitability is expected to improve further in the second half driven by The CrownX's continued growth in its consumer product portfolio and the turnaround plan for its store network starting to yield results due to improving costs, better assortment and network optimisation, greater operational efficiencies in Masan MEATLife and Masan High-Tech Materials, and continued

positive bottom line contribution from
Techcombank.

This year, Masan targets net revenues of VND75-85 trillion and profit after tax of VND1-3 trillion.

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