



# VIETNAM DAILY NEWS

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## Table of content

### Table of content

1. Large-caps pull local market down for a third day
2. Samsung Vietnam refutes rumors of shifting smartphone production to India
3. Viet Nam promotes measures to manage local sugar market
4. Vietnamese rice prices among highest in the world: association
5. Companies to pump out bonds as trade will soon be restricted
6. Domestic airlines ask for Government loan of \$1.16 billion
7. E-commerce revenue grows 25 percent in 2019
8. HBC: HBC wins a new construction project
9. MSH: Song Hong Garment yet to set aside provisions for New York & Co. receivables

## Market Analysis

### 1. Large-caps pull local market down for a third day

Vietnamese shares fell for a third day as market sentiment was pulled down by the decline of the large-cap sector.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange lost 0.44 per cent to end Tuesday at 846.43 points.

The benchmark has dropped total 1 per cent in three consecutive trading days since last Friday.

The large-cap VN30-Index slipped 0.58 per cent to 786.95 points and the VN30 futures maturing on August 20 (Thursday) edged down 0.57 per cent to 788 points.

Twenty-one of the 30 largest stocks by market capitalisation and trading liquidity in the VN30 basket declined while only five increased and four ended flat.

Brewer Sabeco (SAB), property firms Vingroup (VIC) and Vincom Retail (VRE), Vietinbank (CTG), dairy producer Vinamilk (VNM), consumer staples business Masan (MSN), and retailers Phu Nhuan Jewellery JSC (PNJ) and Mobile World Investment (MWG) were the worst large-cap performers.

The consumer staples, retail, and real estate were three of the worst-declining sectors on Tuesday, BIDV Securities Corporation (BSC) said in its daily report.

The three industries lost between 0.63 per cent and 1.03 per cent, BSC said.

“The market is struggling as investors are cautious when the VN-Index is moving up and down around

the 860 point level,” Thanh Cong Securities Co (TCSC) said in a note.

The market sentiment was kept on edge following the sharp increase of coronavirus infection cases in Viet Nam in recent days, leading to the lockdown of some provinces and cities.

Foreign investors net-sold nearly VND290 billion (US\$12.6 million) worth of local shares on Tuesday, up 182.8 per cent from Monday’s figure.

The international stock markets moved up little on Tuesday, waiting for the meeting of the US Federal Reserve, which would give investors a clearer view of how the world’s largest economy is going to perform in months to come.

While large-cap stocks underperformed, capital flew into mid-cap and small-cap sectors to boost the two indices up 0.50 per cent and 0.41 per cent, respectively.

Cement and industrial real estate companies made gains after a report by the Japan External Trade Organisation (JETRO) showed more than 1,400 Japanese companies are considering expansion in Viet Nam.

On the Ha Noi Stock Exchange, the HNX-Index slid 0.16 per cent to end Tuesday at 117.02 points.

The northern market index gained 0.84 per cent on Monday.

Nearly 296 million shares were traded on the two exchanges, worth nearly VND5 trillion.

## Macro & Policies

### 2. Samsung Vietnam refutes rumors of shifting smartphone production to India

Samsung has denied rumors that it is planning to shift part of the smartphone production from Vietnam to India, and affirmed that all production facilities in northern Vietnam are operating as normal, according to the Tuoi Tre.

The denial was made after the Economic Times, an Indian news website, reported that Samsung is considering shifting a major part of its smartphone production to India from Vietnam and other countries, as the South Korean tech giant hopes to produce devices worth US\$40 billion in India.

The move would help Samsung diversify its production lines and taking advantage of the Production Linked Incentive (PLI) scheme from the India government, Economic Times added.

As such, Samsung is reportedly to have submitted plans of making smartphones worth over US\$40 billion to the Indian government in the next five years. Out of this, phones with factory price of over US\$200 could account for over US\$25 billion, with the majority subject to export.

Economic Times cited Indian government officials as saying Samsung's move would also help plug a major loophole in India's efforts to find ways to eschew cheap imports from ASEAN countries to India, owing to the Free Trade Agreement the country has with the trading block.

In a meeting with Samsung Vietnam's CEO Choi Joo Ho on August 11, Vietnam's Prime Minister Nguyen Xuan Phuc expressed hope that the country would continue to remain Samsung's global strategic production hub, especially as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU – Vietnam Free Trade Agreement (EVFTA) have become effective.

In early March, Samsung Vietnam started construction its largest R&D center in Southeast Asia in the West of Hanoi with investment capital of US\$220 million, a move showcasing Samsung's long-term commitment to Vietnam.

According to Samsung's statistics, around 50% of Samsung's smartphones and tablets are produced in Vietnam and exported to 128 countries and territories, including the US, Europe, Russia and Southeast Asia.

In the 2008 – 2018 period, Samsung increased its total investment in Vietnam from US\$670 million to over US\$17.3 billion, a 26-fold increase.

The global smartphone export market is about US\$270 billion. By value, Apple has a 38% market share and Samsung 22%. By volume, Samsung has 20% and Apple 14%.

### 3. Viet Nam promotes measures to manage local sugar market

The minister requests the Trade Remedies Authority to actively monitor the domestic market and propose use of trade remedies for imported sugar products in accordance with international commitments.

At the same time, this authority would establish a synchronous and accurate database on sugar import, export and production based on information from the relevant authorities to support businesses in preparing trade defence records.

The Import-Export Department is asked this year to complete proposals on management measures for the import-export activities of sugar products.

Meanwhile, the General Department of Market Surveillance this year must submit to the Government a decree replacing Decree 185/2013/ND-CP on providing penalties on administrative violations in commercial activities, production of, trading in counterfeit or banned goods and protection of consumer rights, and Decree 124/2015/ND-CP about amending and

supplementing a number of articles to Decree 185/2013/ND-CP.

This general department must strengthen management and inspections to prevent and strictly handle smuggling and commercial fraud for sugar and sweetening products, according to the minister.

The solutions of the Ministry of Industry and Trade are expected to protect domestic sugar production,

create a fair business environment and bring more favourable conditions in improving competitiveness of local sugar producers.

Viet Nam produced 7.3 million tonnes of sugarcane and had a total output of about 769,000 tonnes of sugar in the 2019-20 sugarcane crop that ended in May 2020.

#### 4. Vietnamese rice prices among highest in the world: association

VFA's updates late last week showed Việt Nam's 5 per cent broken white rice was traded at US\$493-497 per tonne, compared to \$473-477 of the same type of Thailand, \$423-427 of Pakistan and \$378-382 of India.

Nguyễn Văn Đông, director of Việt Hưng rice milling, processing and trading company, said export prices of some types of Vietnamese rice were now higher than Thailand's. This was the first time in the past three decades Vietnamese rice prices reached Thailand's and even outstripped as for the case of 5 per cent broken rice, Đông said.

One of the reasons was that the Thai Baht was gaining against the US dollar, causing disadvantages for Thailand's exports, which together with a shortage of supply of 5 per cent broken rice in the market pushed up the price, Đông said.

Many other Vietnamese rice types also had good prices, such as DT8 rice traded at \$570 per tonne, compared to \$540 of the previous crop, and OM5451 rice at \$540-550 per tonne compared to \$500 of the previous crop.

An important factor was that the quality of Vietnamese rice had improved significantly, he said.

According to Phạm Thái Bình, director of Trung An Hi-Tech Agriculture Joint Stock Company, Cần Thơ City, the European Union – Việt Nam Free Trade Agreement (EVFTA) was also bringing benefits to Việt Nam's rice export.

Under the EVFTA, Vietnamese milled and jasmine rice would be given a zero tariff rate for a quota of

80,000 tonnes per year, which would give Vietnamese rice a competitive advantage in the EU.

To solidify the position of Vietnamese rice in the world market, exporters must work to negotiate prices compatible with the value and quality of the grain, and at the same time share profits with rice growers to help Việt Nam's rice production and exports develop sustainably, Bình said.

Trần Thanh Hải, deputy director of the Ministry of Industry and Trade's Import-Export Department, said Việt Nam's rice export to the EU remained modest at about 20,000 tonnes annually, worth \$10.7 million in 2019. The EU market consumed about 2.5 million tonnes of rice per year in 2016-20.

The EVFTA was opening the door for Vietnamese rice to expand in the EU with an export tariff of zero per cent applied for a quota of 80,000 tonnes per year, Hải said.

He noted that the quota would be allocated by the EU to importers, urging Vietnamese export firms to proactively contact importers with the allocated quota.

Firms could access the EU's website at [ec.europa.eu](http://ec.europa.eu) and the Việt Nam Ministry of Industry and Trade's e-portal for quota details once the allocation was available.

Regarding jasmine rice, the EU requires an authenticity certificate granted by Việt Nam so the grain can enjoy the zero export tariff.

Hải said the Ministry of Industry and Trade and the Ministry of Agriculture and Rural Development

were collaborating to develop procedures for companies to register certification of authenticity.

The agriculture ministry's statistics showed Việt Nam shipped 3.9 million tonnes rice abroad in

January-July, worth \$1.9 billion, down 1.4 per cent in volume against the same period last year but up 10.9 per cent in value. The Philippines remained the largest rice import market of Việt Nam with a share of 37 per cent.

## 5. Companies to pump out bonds as trade will soon be restricted

The forecast was made by SSI Securities Incorporation (SSI) in the company's report on Viet Nam's bond market in the first six months of 2020.

The report said a total of VND122.3 trillion (US\$5.3 billion) worth of bonds were issued in January-March, up 69.7 per cent year-on-year. The figure for the first six months was VND171.5 trillion, up 61.3 year-on-year and much higher than the growth of 37 per cent in the same period last year.

Of the total bond value issued during six months, VND10 trillion or 5.8 per cent of the total value was issued by Masan Group to the public. The other 94.2 per cent was issued by 133 enterprises via private placement, divided into 826 tranches.

Regarding the issuance structure in the first six months, the group of real estate businesses issued the largest bond volume worth VND71.6 trillion, accounting for 41.8 per cent of the total issued volume and up by 57.5 per cent year-on-year.

The banking group ranked second with a total issuance value of VND47.3 trillion, accounting for 27.6 per cent and up 31.2 per cent year-on-year.

Energy and minerals group issued VND10.5 trillion, accounting for 6.1 per cent of total issued value and 5.3 times higher than the same period in 2019.

The rest was issued by infrastructure development groups, financial services companies and other businesses.

The size of the corporate bond market has risen 15.6 per cent compared to the end of 2019, reaching VND791 trillion and equal to 12.9 per cent of the country's total GDP.

Viet Nam's proportion of corporate bonds in the country's GDP is far ahead of Indonesia, surpassing the Philippines but still far short of Thailand, 23 per

cent of GDP; China, 33-35 per cent of GDP; Malaysia, 51 per cent of GDP; and South Korea, 80 per cent of GDP.

According to SSI, compared to other capital mobilisation channels in Viet Nam, the corporate bond channel is still quite modest in scale. The economy still relies heavily on bank credit. The total credit scale as of June 30 reached VND8.48 quadrillion, equivalent to 138.5 per cent of GDP and 10.75 times higher than the corporate bond channel.

SSI noted that the development of the corporate bond market is indispensable to create a balance and improve the quality of Viet Nam's financial market. However, the overheated growth has posed potential risks to the sustainability of the market.

Since the beginning of this year, the Ministry of Finance has continuously issued warnings about risks which might arise from the abuse of this capital raising channel, giving out recommendations to investors and market participants.

The ministry has made public a draft Decree 81/2020/ND-CP to amend several points of Decree 163/2018/ND-CP about corporate bond issuance for comments, which included amendments of conditions for corporate bond issuance, rates, issuance in domestic and international markets, information disclosure and reporting mechanisms.

Decree 81/2020/ND-CP has been submitted to the Government and is expected to officially take effect in early September.

Under the draft, regulations about bond yields and bond transactions would be tightened.

Accordingly, bond yields would not be allowed to be higher than 20 per cent per year.



This aimed to prevent firms from offering high bond yields which would negatively affect the capital market.

In addition, bonds issued in the domestic market would be restricted from trading among less than 100 investors while under the current regulation, the restriction was applied only in the first year. This aimed to protect bond investors, the ministry said.

Two issuances must be at least six months apart, according to the draft.

Notably, issuing companies must ensure the outstanding value of bonds issued would not exceed three times their charter capital. The Ministry of Finance said that this regulation would help prevent firms from issuing bonds in a too large volume and value which would create risks for both issuers and investors.

SSI experts said companies would accelerate issuing bonds in July and August, before the issuance conditions are tightened.

## 6. Domestic airlines ask for Government loan of \$1.16 billion

This is one of recommendations the association sent recently, asking the Government stimulate the sector as it is facing serious impacts caused by the COVID-19 pandemic.

VABA also called for the extension of the period of exemption and reduction of aviation service charges until the end of 2021. At the same time, it asked the Government to direct the Ministry of Transport and Airport Corporation of Vietnam to cut 50 per cent of all airport service charges.

“Airlines expect the Government to ask the National Assembly Standing Committee to allow a 70 per cent, or at least 50 per cent, cut of environmental protection tax for flying fuel by the end of 2021, and consider and direct speeding up the construction progress of upgrading runways at Nội Bài and Tân Sơn Nhất international airports, which should be completed in six months,” VABA noted in its recommendation document.

VABA said the pandemic had recurred in some localities, especially Đà Nẵng, a key aviation market. The outbreak is also having a psychological impact on society, causing a sudden drop in demand for domestic travel and air travel.

Although airlines have made efforts to limit losses such as cutting total costs from 50 per cent to 70 per cent year-on-year, negotiating with partners to reduce debt and interest rates, selling aircraft, transferring assets, reducing salaries for all staff and decreasing airfares, however all airlines face serious cash flow depletion.

The International Civil Aviation Organisation recently forecast that it would take until 2024 for the world's airlines to recover their business to levels seen in 2019. Vietnamese airlines will suffer an estimated loss of more than \$4 billion this year.

VABA also petitioned Prime Minister Nguyễn Xuân Phúc allow reopening flight routes to countries that have controlled the outbreak, and studying standards on disease prevention and infection control in air transport, allowing tourists to enter Việt Nam if they meet such requirements.

“More than ever, Vietnamese airlines all are in need of timely support from the Government, ministries and agencies,” VABA said.

## 7. E-commerce revenue grows 25 percent in 2019

Vietnam's B2C e-commerce revenue rose by 25 percent to 10.08 billion USD in 2019, according to the e-Commerce White Book 2020 released by the Ministry of Industry and Trade (MoIT)'s e-Commerce and Digital Economy Agency (iDEA).

The number of online shoppers grew about 1.12 percent year-on-year to 44.8 million people last year from 39.9 million people in the previous year, says the book. Average spending for online shopping was 225 USD per person, 23 USD higher than in 2018.

Head of the iDEA Dang Hoang Hai said 2019 saw a big change of Vietnam's e-commerce sector when the country was implementing the government's master plan for e-commerce development between 2016 and 2020.

He noted that e-commerce has smoothed the way for the flow of goods and services and supported firms, especially small- and medium-sized enterprises, in seeking business opportunities in the era of international integration and the Fourth Industrial Revolution.

The book provides readers with an overall picture of Vietnam's e-commerce industry from legal environment, logistics infrastructure, payment to use of e-commerce among businesses, exporters and people.

Vietnam has set a target that the e-commerce industry would grow by 25 percent per year to 35 billion USD with more than half of the population shopping online by the end of 2025.

According to the e-Commerce White Book 2019, e-commerce revenue jumped 30 percent from 6.2 billion USD in 2017 to 8.06 billion USD in 2018.

The size of the local e-commerce market was expected to reach 13 billion USD this year.

The e-Conomy SEA 2019 report by Google and Temasek predicted that e-commerce in Vietnam would expand 43 percent per year in the 2015-25 period, making it the fastest growing e-commerce market in the region.

Vietnam is now the second fastest growing e-commerce market in Southeast Asia, after Indonesia.

## Corporate News

### 8. HBC: HBC wins a new construction project

↑ 0.62%

Hoa Binh Construction Group Joint Stock Company has assigned a new construction package with the total contract value of nearly VND120 billion as follows:

- Project: Doi Rong International Tourism Area Project

- Investor: Van Huong Investment and Tourist Joint Stock Company (under Geleximco)

- Location: Van Huong ward, Do Son district, Hai Phong city

- Value of package: nearly VND220 billion.

### 9. MSH: Song Hong Garment yet to set aside provisions for New York & Co. receivables

↑ 0.85%

The local textile giant has just published the financial report for this year's first half, showing that the company has not set a provision for the arrears of its biggest overseas partner, New York & Co. that went bankrupt last month.

Specifically, Song Hong sold a large number of orders to New York & Co. through intermediate Easy Fashion Macao Offshores Ltd. (Easy Fashion). According to the agreement between Song Hong and the US partner, debt clearance related to the sales is performed via Easy Fashion with a timeline of 90 days.

The local company's receivables from the partner as of June 30 were about VND219 billion (\$9.52 million). Of this, past-due receivables were about VND163.8 billion (\$7.1 million), and receivables still within the deadline were about VND55.2 billion (\$2.4 million).

However, Song Hong seems to be unlikely to be able collect the sums due to the collapse of Retail Winds (RTW) that owned 400 New York & Co

stores across 32 states in the US. On July 13, RTW filed for bankruptcy because of insolvency.

According to Song Hong's management board, the event has impacted its ability to recover the sums. Currently, the company is working with Easy Fashion and lawyers.

"Recovering the receivables still depends on the progress of restructuring RTW's operations," noted the report.

RTW has 180 days to restructure operations under the supervision of authorities, according to US regulations.

In the second quarter of 2020, Song Hong earned VND962 billion (\$41.83 million) in net revenue, down 17.4 per cent on-year. Besides, its after-tax profit reached VND58 billion (\$2.5 million), down 56 per cent on-year. Over the first six months of the year, its cumulative profit declined 44 per cent to VND122 billion (\$5.3 million), equaling nearly 60 per cent of the 2020 plan.



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