VIETNAM DAILY NEWS

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Market Analysis

1. Financial stocks back market rebound

Vietnamese shares bounced on Wednesday, driven by banking-financial companies while investors sought short-term opportunities in mid-cap and small-cap sectors.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.56 per cent to end Wednesday at 851.21 points.

The VN-Index had lost a total of 1 per cent in the previous three trading days.

Banking, securities and insurance stocks boosted the market.

The three industry indices gained between 0.9 per cent and 1.9 per cent, according to vietstock.vn.

The best performers in the three sectors included VietCapital Securities (VCI), VNDirect Securities (VND), Bao Viet Holdings (BVH), Vietcombank (VCB) and Techcombank (TCB).

VCI jumped 3 per cent, while the other stocks advanced between 0.7 per cent and 1.8 per cent.

Other large-cap stocks also performed well to lift the blue-chip tracker VN30-Index up 0.31 per cent to 789.41 points.

The VN30 futures maturing on August 20 was up 0.63 per cent to 793 points.

Twenty-one of the 30 largest stocks by market capitalisation and trading liquidity in the large-cap basket made gains while four declined.

Among gainers were PetroVietnam Power Corp (POW), Petrolimex (PLX), property developer Vincom Retail (VRE), and the two large-cap newbies Hoang Huy Investment Financial Services (TCH) and Khang Dien House Trading and Investment (KDH).

Attention was paid to mid-cap and small-cap stocks, boosting the two sector indices up 0.88 per cent and 0.77 per cent, respectively.

Outstanding mid-cap and small-cap stocks were industrial real estate developer Sonadezi Long Thanh (SZL), Binh Minh Plastic JSC (BMP), technology group CMC (CMG), retailer FPT Retail (FRT), and food firm Dabaco (DBC).

On the Ha Noi Stock Exchange, the HNX-Index increased by 1.85 per cent to finish Wednesday at 119.19 points.

The northern market index inched down 0.16 per cent on Tuesday.

Nearly 306 million shares were traded on the two exchanges, worth VND4.84 trillion (US$209.5 million).

Foreign investors net-sold VND40.6 billion worth of local shares, down 86 per cent from the previous day.

The market recovered on Wednesday with investors becoming more active, but the liquidity was still lower than the 20-day average, Sai Gon-Ha Noi Securities (SHS) said in its daily report.

“That indicates the purchasing power is not strong and the market growth is quite fragile,” the company said.

“But the positive gap between the VN30-Index and its August futures shows investors are very confident in the chance of the market to keep growing,” SHS said.

“The VN-Index will continue rising to test the 875-point level again” and “any falls would not be too harsh,” SHS forecast.

Macro & Policies

2. Australian logistics firm LOGOS establishes US$350-million venture in Vietnam

Australia-based LOGOS, a logistics real estate operator, has established its first Vietnam venture with an initial forecast portfolio of around US$350 million by gross asset value, stated the group in a statement.

The venture aims to develop modern and high-quality logistics facilities across the key markets in Ho Chi Minh City, Hanoi, Danang and their surroundings, supporting local and international customers' growth across Vietnam, it said.

The new venture is the fourth venture closed by LOGOS this year, with the group raising over US$1 billion throughout the Southeast Asian region despite the current market disruptions.

"Our move into Vietnam is an important step in our regional growth strategy driven by customers' needs," stated LOGOS' Managing Director and Co-CEO Trent Iliffe.

"Being able to establish this new venture in the midst of the Covid-19 pandemic is testament to Vietnam's exciting growth story, which is driven by the global trade wars, decentralization of supply chains and a natural evolution of this market," he said.

"Vietnam's strong underlying market fundamentals and the significant growth in ecommerce makes it an attractive market for investors and customers alike," LOGOS' Managing Director Stephen Hawkins said.

LOGOS entered the Vietnam market earlier this year with the appointment of Glenn Hughes, a real estate and infrastructure specialist who has worked in both private and government sector organizations across Southeast Asia, Australia and the Middle East, as Head of Vietnam to lead the Group's in-country strategy.

"The long-term potential of the Vietnam logistics market is supported by strong tailwinds, as companies seek to diversify their supply chains across multiple countries and further invest in technology within their facilities to meet the growing demand of ecommerce," Glenn commented.

It is planned that LOGOS would be able to deliver a steady pipeline of speculative and build-to-suit logistics facilities for its customers in key logistics locations, being ready for occupation over the next 12 to 18 months.

Growing foreign investments, mainly in manufacturing and processing industries – both require a strong logistics function – and booming local consumption, have led to strong growth of Vietnam's logistics sector.

3. Seafood exports increase after EVFTA comes into effect

The number of orders in the European market alone since the beginning of this month has increased by about 10 per cent compared to last month, specifically, for shrimp and squid.

Online newspaper VietQ reported that Tran Van Linh, chairman of the board of directors of Thuan Phuoc Seafoods and Trading Corporation, said the company had exported 3,000 tonnes of shrimp and products made from shrimp to EU with a value of about US$31 million, a year-on-year increase of 8 per cent in volume and 6 per cent in value respectively over the same period last year.

Nguyen Thi Anh, director of Ngoc Xuan Seafood Corporation, shared EU customers had started negotiating orders with the corporation again recently.

Although it had not increased strongly, this was a positive signal for businesses to recover after a long delay and contract cancellation, said Anh.

Assessing the initial results since the EVFTA's implementation, Truong Dinh Hoe, secretary-general of VASEP, said the association expected the EVFTA would help seafood exports grow by about

20 per cent in the EU, however, in the current pandemic context, an increase of 10 per cent was encouraging.

Regarding future prospects in the EU, Hoe said the growth rate could not be fully forecast as European countries were still facing the pandemic.

As for the issue of removing the yellow card for illegal, unreported and unregulated fishing, localities are implementing many measures to combat illegal fishing, while enhancing the control and supervision of the installation of monitoring equipment on fishing cruises and having strict sanctions for violations of the use of positioning equipment.

The EVFTA took effect from August 1 and many key products of Viet Nam will benefit from this agreement.

Viet Nam has advantages in producing and exporting agricultural, forestry and aquatic products while the EU has a great demand for these items with import value accounting for 8.4 per cent of the region's total annual import value.

Therefore, room for growth in exports to the EU remains huge. Vietnamese businesses can access a huge seafood consumption market with an average consumption of 22.03 kilogrammes per person, 5.34 kilogrammes higher than the world average.

4. Central bank to adjust monetary policies to weather pandemic

Under a recent directive, SBV Governor Le Minh Hung said the COVID-19 outbreak would continue to be unpredictable, which could push the global economy into a deeper recession and have a heavy impact on the Vietnamese economy due to its deep economic integration.

Under the difficulties, Hung requested the banking industry follow domestic and foreign economic developments to forecast and propose effective solutions in order to ensure market liquidity, control inflation and further cut interest rates.

Banks need to target lending for production and business, especially sectors and fields prioritised by the Government, such as agriculture businesses, firms producing goods for export, small- and medium-sized enterprises, start-ups, enterprises operating in auxiliary industries and hi-tech enterprises, while continuing to strictly control credit for potentially risky sectors such as real estate, securities, as well as Build-Operate-Transfer (BOT) and Build-Transfer (BT) projects in transport.

He also asked the SBV's Credit Department to consider adjusting 2020 credit growth targets for banks that have met the SBV's requirements.

The SBV allocated the credit growth limit for all credit institutions at 10.1 per cent, lower than the 13 per cent set earlier in the year due to the impact of the COVID-19 pandemic. However, some commercial banks have also asked the central banks to expand their credit growth.

According to experts, though banks' income from services has improved in recent years, 70-90 per cent of banks' profits still come from credit activities, so it is understandable that banks expected the SBV to extend the credit threshold.

Experts agreed with the banks' proposal to extend credit growth. Banking expert Nguyen Tri Hieu said he supported the proposal as it would help maintain economic growth, especially in times when many economies, including Viet Nam, were at risk of slowing down.

Under the directive, the Governor required bank authorities to coordinate with relevant ministries and agencies in implementing procedures to use State capital to increase charter capital for State-owned Agribank.

The authorities would also consider procedures to increase charter capital for other State-owned banks, including VietinBank and Vietcombank, through the payment of dividends in shares.

Hung said the central bank would closely monitor developments of the foreign currency market to proactively manage the exchange rate flexibly and appropriately.

The SBV would intervene in the exchange rate when necessary to stabilise the foreign exchange market, contributing to the country's macroeconomic stability, Hung noted.

It would also closely follow the fluctuations of global and domestic gold prices, not to have it affect macroeconomic stability.

5. Vietnam industrial property stands tall as global manufacturers pursue 'China+1' strategy

Vietnam's industrial real estate has the potential to be a destination for multinational companies that are increasingly pursue the "China Plus One" strategy to diversify their operations as the global health crisis causes disruptions in supply chains.

As an example in containing the novel coronavirus for the past few months and its effective pandemic-control measures, the shifting in the investment continues to grow, resulting in greater demand for Vietnam industrial space as corporations seek to mitigate risk and diversity locations, according to executives from Savills Vietnam.

"Industrial continues to be the 'poster child', with mounting enquiries and heightened capital market activity", Troy Griffiths, deputy managing director, Savills Vietnam said.

"The key factors contributing to post-pandemic opportunities are extensive," he said, naming the factors that include an effective and rapid pandemic response, robust middle-class growth, an increasingly stable business environment, labour force, infrastructure spend, corporate income tax incentives, and growing FTA's.

The current situation is already expected to accelerate multinational manufacturer relocations out of China. Recent announcements from major blue-chips Apple, Pegatron, and Foxconn will see higher proportions of production shifting to Vietnam.

Troy Griffiths went on to say the recent Japanese government US$2.2 billion stimulus package with the core aim of underwriting Japanese manufacturing relocations out of China is another example.

So far, 15 companies including Meiko Electronics, Nikkiso, Fujikin, and Yamauchi have registered to move production to Vietnam. The Japan External Trade Organization (JETRO) confirms six of the 15 are large companies, with the remainder small and medium-sized enterprises (SMEs). Most produce medical equipment, while the others manufacture semiconductors, phone components, air conditioners, and power modules.

Demand for supply

According to Matthew Powell, director of Savills Hanoi, the recently ratified EU-Vietnam Free Trade Agreement (EVFTA) has bolstered global industrial investor confidence in Vietnam.

The property segment most resilient to Covid-19 has further significant growth potential, he said.

Demand continuing to outpace supply underscores the need for further development in key industrial provinces. In reality, occupancy rates have grown significantly since 2018 in key areas Binh Duong, Dong Nai, Long An in the south; Bac Ninh, Hung Yen, and Haiphong in the north.

"Supply being the one limiting factor has developers needing to quickly catch up, especially with new developments needing to be close to main routes, ports, and airports. Though this process can be slow, we all need to better manage demand, especially under the Covid-19 situation. Of course, there is much to be done, but all credit to the government and the property sector in doing such a fantastic job attracting these industries," Matthew Powell commented.

With the expected manufacturing influx out of China in 2021 and 2022, new projects are increasingly vital to accommodate high value manufacturing investments. Dong Nai has eight additional industrial zones (IZs) in planning. An official of Long Thanh district People's Committee recently announced plans to build four extra IZs in the district. Phuoc Binh commune will have two more

IZs covering up to 900 ha, with total leasable areas around 500 ha. Tan Hiep and Binh An communes will each develop another IP. Furthermore, 'rental' developers such as BW Industrial Development JSC keep expanding, from an initial 130 ha in 2018 to almost 500 ha this year.

In June 2020, Vietnam had 336 Industrial Parks (IPs) over approximately 97,800 ha. Among them, 261 IPs are operational while 75 are under construction. Nationwide, operating IPs have a steady average 76% occupancy.

Smarter manufacturing

The EU-Vietnam Free Trade Agreement (EVFTA) will provide further impetus for Vietnam Industrial's transition from low-skilled, labor-intensive to higher-value industries.

By enabling the latest production technologies and ramping up workforce training, the Vietnamese government is easing concerns of viability, labor shortages, and rising costs. Moving to a more transparent business environment will help mitigate investor concerns and improve quality.

However, the profiles of countries looking at Vietnam are evolving, resulting in higher skilled labor demand, and increased vocational aptitude. Investing in education and training is essential for Vietnam to properly accommodate higher-value projects.

John Campbell, Savills Vietnam Industrial Services Manager, commented that Industry 4.0 is under global attention and Vietnam is focused on the opportunity. A national strategy, robust legal 4.0 framework, with policies favoring business and industrial communities is vital.

"According to the Central Institute for Economic Management (CIEM), a 4.0 Manufacturing strategy supported by mid-level technology can expect 16% growth by 2030. CIEM research also indicated Vietnam Manufacturing, supported by leading technologies has up to US$14 billion growth potential.

Lenovo and Schneider Electric recently announced a strategic partnership to make smart green solutions for the Chinese manufacturing sector, and both already have a strong presence in Vietnam. As the national economic and Industry 4.0 strategies both develop, these leading companies will increase their presence to meet growing demand".

The rapid growth in Vietnam Industrial has been powered by a tenfold increase in foreign direct investment (FDI) over the last ten years. However, the country must be increasingly project-selective to successfully move up the value chain, while improving competitiveness to ensure sustainable growth.

This will require continued investment in infrastructure and intermodal transport links; higher education standards; a national skills development plan to increase skilled labour supply; increased focus on attracting priority hi-tech and Smart Manufacturing, while refining FDI incentives and policies. Vietnam, already adapting to these needs, has a clear opportunity to harness the extensive potential of Industry 4.0.

6. Carriers concoct strategies for uncertainties down the road

Nearly a dozen routes of all domestic airports arriving in the central city of Danang, including 200 round-trips every day, have been halted since a new coronavirus outbreak on July 28, as well as leading to the remarkable decline of the number of flights to other locations.

Budget carrier Vietjet has deployed a variety of solutions such as focusing on cargo transportation and ancillary services. Vietjet is the first such airline to be approved to carry cargo on cabin since April. "The debt ratio is among the lowest range in the world's aviation industry, so Vietjet continues to implement a long-term loan plan to overcome the crisis," a representative said.

To stay afloat, Bamboo Airways has also carried out solutions to offset losses caused by the halt of all international routes and the sharp decrease of domestic flights. The airline is focusing on cargo transportation for both humane and trade goals, rental flights, and carrying foreigners and cargo to Europe as well as releasing some new services. This is in addition to reducing the flight network, cabin crews, and other employees.

However, in opposition to the worry of other players, Bamboo Airways CEO Trinh Van Quyet still believed in the performance of the airline despite the pandemic. "We are still going forward with the expansion of the aircraft fleet number to 50 aircraft as the goal set since last year, if the demand for transport recovers well and the market changes positively."

Aviation is said to be the most financially damaged sector hit by the pandemic. By the end of the second quarter, Vietjet recorded a slump of 54 per cent on-year in air transport revenues, and losses of VND1.12 trillion ($48.8 million). For the first six months of 2020, the airline's loss in air transportation business stands at VND2.1 trillion ($91.8 million).

Meanwhile, Airports Corporation of Vietnam recorded a post-tax losses of over VND365 billion ($16 million) from April to June as its revenues plunged 76.6 per cent from the same period last year to over VND1.046 trillion ($45.5 million).

Meanwhile, Bamboo Airways reported over VND1.5 trillion ($65.2 million) in losses for the first quarter, and all its domestic flight routes are halted until late October at least.

Following a proposal by airlines and authorities, the Vietnamese government is considering an aviation bailout, including providing exemptions from taxes, fees, and environmental taxes for flight fuel, along with providing financial packages and extending debt repayment terms.

However, economist Pham Chi Lan emphasised the need to make this support equitable and transparent. She said all airlines have contributed to the state budget and socioeconomic development, so they should receive equal support based on factors like market share, contribution, and the amount of losses. "We should carefully calculate the losses of each airline and compare it to their revenue and profit to propose a proportional support instead of simply offsetting the bad performance of airlines," said Lan.

7. 80,000 tonnes of duty-free rice to enter the EU market each year

According to the European Commission (EC), thanks to the effectiveness of the EU-Vietnam Free Trade Agreement (EVFTA), Vietnam has a tariff-free quota of 80,000 tonnes of rice to export to the EU per year.

According to the Import and Export Department under the Ministry of Industry and Trade, the EU will directly allocate the quota of 80,000 tonnes of rice to their importers while Vietnamese enterprises that are eligible to export rice to the EU need to contact EU rice importers to make full use of the quota.

The amount of Vietnamese rice exported to the EU remains low. Vietnamese rice exports to the EU only reached about 20,000 tonnes in 2019 while the average rice consumption of the EU is 2.5 million tonnes per year.

The reason is that Vietnam was not granted tariff quotas by the EU before, so it was difficult for Vietnamese rice to compete with rice from other countries allocated with tariff quotas or tax exemption.

The EVFTA has helped Vietnam achieve a quota of 80,000 tonnes of rice per year with a 0% tax rate.

To meet the EU's requirements for rice exports, the Ministry of Agriculture and Rural Development is rushing to finalise and submit related administrative procedures for the Government in order to issue a decree on administrative procedures for rice exports to the EU and the enjoyment of tariff-free quotas.

Corporate News

8. HPG: Hòa Phát to export to African markets

↑ 0.41%

The signing marks the group's success in opening new export markets.

As scheduled, the first shipments with a total volume of nearly 30,000 tonnes will be transported to Kenya and Ghana in September and October this year.

The steel manufacturer shipped 160,000 tonnes of high-quality rolled steel to foreign markets in the first seven months of this year, up 2.3 times compared to the same period last year, and 35.5 per cent higher than the total output of SAE products exported in the whole last year.

Major export markets of Hòa Phát steel included the US, Japan, Canada, China, Australia, the Republic of Korea, Taiwan, Thailand, Malaysia, Indonesia, Cambodia, Brunei, the Philippines and Singapore.

Along with ready-to-use steel, Hòa Phát also sold one million tonnes of steel billets for construction in the seven months.

The completion of Hòa Phát Dung Quất port made great contributions to the transport of Hòa Phát steel, thus promoting its sales. Recently, the port received a 176,000 tonne vessel, the biggest of its kind it had ever served.

9. PLX: Information on selling the treasury shares

↑ 2.06%

On August 17, 2020, Viet Nam National Petroleum Group announces the purchase of treasury shares as follows:

- Number of treasury shares before trading: 88,064,846 shares

- Number of shares registered to sell: 13,000,000 shares

- Purpose: to supplement the business funds and development investment

- Expected trading period: from August 27, 2020 to September 25, 2020

- Trading method: Order matching.

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