



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Market growth may continue but pace is slow

Vietnamese shares are widely expected to increase and hit new highs this week but the growth may be modest on weak market sentiment.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained total 0.47 per cent to finish last week at 854.78 points.

Since the second wave of coronavirus broke out in Viet Nam one month ago, the VN-Index has increased by total 8.86 per cent to recoup almost all of its loss.

The benchmark may move up to test the range of 860-877 points this week, securities firms forecast.

“Though the market rally has expanded for a third week (with the total growth of 7.06 per cent), the daily growth is narrowing and liquidity remained lower than the 20-week average,” Sai Gon-Ha Noi Securities (SHS) said in its weekly report.

“That proves the purchasing power is weakening,” the company said.

“The market’s short-term signal is still positive but any big jump is not expected at the moment,” SHS said.

The market has a chance to break from its consolidation, which has been kept in the last two weeks around 850 points, but the growth could be modest, MB Securities Co (MBS) said in a note.

“The VN-Index may end its sideways movement in the coming week and rise towards 877 points thanks to increased market trading value and the expansion of bank stocks,” the company forecast.

The sector index advanced total 1.7 per cent during the week, equal to information and technology industry but lower than other industries such as materials, medicals and pharmaceuticals, and industrials.

But as the most heavyweight sector, bank stocks gave the market a boost last week to conquer the resistance of 850 points.

The biggest gaining bank stocks included Vietcombank (VCB), Vietinbank (CTG), VPBank (VPB), Techcombank (TCB), Asia Commercial Bank (ACB) and Sai Gon-Ha Noi Bank (SHB).

The material and pharmaceutical sectors were driven by steel companies Hoa Sen (HSG), Nam Kim Steel (NKG), DHG Pharmaceuticals (DHG), PetroVietnam Fertiliser and Chemicals Corp (DPM), and PetroVietnam Ca Mau Fertiliser (DCM).

Foreign investors net-bought a total of nearly VND670 billion worth of local shares last week, which was a big improvement compared to a net-sell of more than VND846 billion in the previous week.

However, the figure was attributed to foreign investors’ net buying of Vinhomes shares (VHM) on August 20, which was worth VND1.7 trillion.

If the foreign purchase of Vinhomes shares was excluded, foreign investors actually net-sold about VND1 trillion on the stock market last week.

Dao Tuan Trung, director of analysis at Vietinbank Securities Co, said that the market has now entered a period in which both economic and business news is not strong enough to lift the market.

Listed firms have finished their earnings reporting season and the prolonged, unpredictable COVID-19 pandemic may weigh on investor confidence, he said.

However, there will be a chance for local shares to be re-valued in the coming weeks as bad news has been priced in, and investors will be able to scoop in cheaper assets, he added.

In the coming week, both international and domestic markets will look forward to the US central bank’s meeting on Thursday when the Federal Reserve chairman Jerome Powell will deliver a speech, addressing how its financial and fiscal policies will go in the remaining months of the year.

## Macro & Policies

### 2. RoK increases import of Vietnam's shrimps

The Republic of Korea (RoK) is importing more shrimps from Vietnam, and has become the fifth biggest importer of Vietnam's shrimps with 10.7 percent of market share.

Despite the impact of the COVID-19 pandemic, Vietnam's export of shrimps to the RoK had reached 179 million USD as of July 15, a year-on-year rise of 5.8 percent.

Dried shrimp and processed giant tiger prawn reported the highest growth rates, with 194 percent and 62 percent, respectively.

Vietnam's shrimp is exempted from import tariffs to the RoK with a quota of 15,000 tonnes a year. However, at present, Vietnam is shipping just 2,500 tonnes of shrimps to the Eastern Asian country.

Domestic exporters are advised to raise their awareness of the Vietnam-RoK Free Trade Agreement to take advantage of its incentives.

### 3. Ministry to build traceability system for products of industry and trade sector

This system will also connect with the national goods tracing system, according to the ministry.

In addition, to contribute to the development of a sustainable value chain and to improve the quality of products, the ministry has issued Decision 1978/QĐ-BCT on a project implementing, applying and managing the tracing system of goods until 2025.

According to the decision, the ministry will complete the system of legal documents on tracing products in the industry and trade sector and propose a list of products that must ensure traceability.

The ministry will study the application of new technologies for traceability and support businesses in implementing traceability. It will also have an information programme on tracing origin of goods for enterprises.

Due to increasing demand for the traceability of goods, localities and enterprises from production to distribution are implementing the management of product traceability.

HCM City has issued and implemented a project on management, identification and traceability of fresh vegetables, pork, poultry, and eggs.

Meanwhile, Sóc Trăng Province has stamps of traceability for products such as rice, fish sauce, custard apple tea and dried buffalo meat, the *Người lao động* (Worker) newspaper reported.

Nguyễn Văn Thâm, director of Hậu Giang Department of Industry and Trade, said that Hậu Giang Province focuses on implementing origin traceability for some key products such as Năm Roi pomelo, saffron orange, sugar orange, mango, pineapple, seedless lemon, fish, custard apple and sugarcane.

Thâm said this will help farmers have sustainable production and consumers to know about the origin of products, creating favourable conditions for product consumption, especially in fastidious markets.

Retailer Saigon Co.op has also been managing traceability of products by applying new technical standards for fresh food products at its supermarkets, hypermarkets and shops. This is a part of activities improving the quality control for input goods in the Saigon Co.op retail system.

#### 4. Low-cost capital source drops sharply in many banks

For banks, attracting a high proportion of demand deposits is important, because it creates a cheap source of capital. Normally, the interest rates of demand deposits are much lower than term deposits, being only around 0.2 per cent per annum.

At Kien Long Commercial Joint Stock Bank (Kienlongbank), though the bank's customer deposits still grew by up to 10.4 per cent in the first quarter of this year, the amount of demand deposits significantly dropped by nearly 31 per cent to just more than VND1 trillion (US\$42.9 million), Bizlive.vn reported.

The bank's current account savings account (CASA) fell sharply from 4.62 per cent at the beginning of the year to 2.88 per cent by the end of June, being in the group of banks with the lowest CASA among the surveyed banks.

Similarly, the demand deposits at Bac A Commercial Joint Stock Bank (BacABank) decreased by 27.4 per cent in the first two quarters of the year, causing its CASA to plummet to a very low level of just 1.21 per cent.

Some other banks also recorded sharp fall of demand deposits, including Saigon Hanoi Commercial Joint Stock Bank (SHB, down by 21 per cent), Export Import Commercial Joint Stock Bank (Eximbank, down by 18.4 per cent) and Southeast Asia Commercial Joint Stock Bank (SeABank, down by 14.8 per cent).

In particular, SHB is one of the banks that recorded a sharp decline in CASA in the period, down from 9.38 per cent at the beginning of the year to only 6.95 per cent by the end of June.

At Lien Viet Post Commercial Joint Stock Bank (LienVietPostBank), the CASA also decreased 2.28 per cent to 12.27 per cent, while SeABank saw a decline of 3.71 per cent to 8.73 per cent.

Even the three banks which have strong CASA including Military Commercial Joint Stock Bank (MBB), Vietnam Technological and Commercial Joint Stock Bank (Techcombank) and Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank) also recorded a decline in CASA.

Despite leading the surveyed group with CASA of 35.61 per cent, MBB's experienced a slight CASA decline from 38.38 per cent at the beginning of the year. Similarly, Vietcombank and Techcombank respectively recorded CASA falls of 1.98 per cent and 0.05 per cent.

The decline in banks' demand deposits has been recorded as Viet Nam's economy has been negatively affected by the COVID-19 pandemic, including a social distancing period.

Statistics of the State Bank of Viet Nam also showed the amount of deposits on payment accounts of the banking system experienced a sharp decline.

According to experts, the high CASA ratio will create a premise for the bank to improve its net interest margin (NIM) while keeping the lending rates at competitive levels in the market.

That is also the reason why in the past few years, the Vietnamese commercial banking system has witnessed an increasingly fierce race to increase CASA, with banks introducing many policies to attract demand depositors, such as exemption of transaction, money transfer and withdrawal fees.

#### 5. New circular unsettles pharmaceutical giants

The Ministry of Health's (MoH) Drug Administration of Vietnam (DAV) on August 10 issued Circular No.15/2020/TT-BYT on the list of drugs for procurement through bidding, the list of drugs for concentrated procurement, and the list of drugs for procurement through price negotiation, with some

changes aiming to lower prices of brand-name drugs.

An official at the DAV said that with the new rules, most branded drugs will be added to the third list for procurement through price negotiation.

“In the past, just eight brand-name drugs were on the list, but now the number will increase to 700,” he told VIR.

Under Circular 15, pharmaceuticals subject to price negotiation include brand-name drugs announced by the MoH, and wholly produced in a country considered a stringent regulatory authority (SRA).

They must have at least two registration certificates of marketing authorisation of generic Group 1 drugs.

As per the new rules, there are two schemes for procurement of branded items: price negotiation, and open bidding in Group 1 of generic pharmaceuticals under Circular No.15/2019/TT-BYT dated July 2019 regulating drug tenders at public healthcare facilities.

Specifically, brand-name pharmaceuticals with many generic drugs in replacement in Group 1 failing in procurement via price negotiation will be included in tender of that group.

The new issuance amending some regulations on tenders in Circular 15 of 2019 is in line with the government's direction to increase local access to quality medicines and to reduce prices, focusing on brand-name drugs.

Previously in Circular 15, branded drugs or equivalents were named in the specific tender. In-patient and off-patient pharmaceuticals (OPPs) are not classified as different by the MoH and are still included in tenders for brand-name drugs or equivalent drugs with costs 10-20 times higher than generic products.

Meanwhile, tenders of generic drugs are divided into five groups, with Group 1 including drugs manufactured entirely by a manufacturing line satisfying EU-GMP requirements or equivalent requirements in a country that is considered an SRA.

Taking effect from October 6 and replacing Circular No.09/2016/TT-BYT from 2016, the new rule is not good news for multinational corporations (MNCs) and members of the European Chamber of Commerce in Vietnam's Pharma Group such as Novartis, AstraZeneca, and GSK advocate price negotiation.

With the new issuance, they may have to reduce prices to compete with other generic Group 1 drugs, meaning that their future profits may be reduced.

Industry insiders said that the big blow may hit MNCs which focus on OPPs, with many generic drugs in replacement in Group 1. They are mostly from Eastern Europe and Asia.

According to statistics from the DAV, brand-name drugs make up an average of 26 per cent of total health insurance spending. The rate is 47 per cent at central hospitals and 26 per cent at provincial ones.

MNCs often rake in big profits because their brand-name pharmaceuticals go to the hospital system or the ethical drugs channel (ETC), the most profitable segment.

At present, the ETC is the main distribution channel in the local pharma market, accounting for around 70 per cent, while the remainder of the market comprises of over-the-counter or non-description drugs. Foreign players hold the majority of the ETC market due to ownership of brand-name drugs, which operate in a monopolistic manner and usually sell at high prices.

## 6. Gov't gives green light for establishment of Ha Tien economic zone

As approved by Prime Minister Nguyen Xuan Phuc, the Ha Tien Border Gate Economic Zone will cover an area of 1,600 hectares and comprise five wards, including Phao Dai, Dong Ho, To Chau, Binh San and My Duc.

The new economic zone will be bounded by Cambodia's Kampot Province to the north, Thuan Yen Commune to the south, Giang Thanh District to the east and southeast and Rach Gia City to the west and southwest, Nguoi Lao Dong Online reported.



It is expected to accommodate a duty-free, international border gate, tourism, administration and residential areas and an industrial park, among other functional areas.

The Ha Tien Border Gate Economic Zone will be operated in line with the Investment Law, the Business Law, the Government's Decree 82 on the management of industrial and economic zones and other relevant regulations.

## 7. Experts discuss using AI to recover from pandemic

Participants discussed using AI to restore the operations of enterprises in the context of the COVID-19 pandemic.

In his opening remarks, Deputy Minister of Science and Technology Bui The Duy said this was the opening event in the series of annual AI4VN events, playing an important role in promoting the AI industry in Viet Nam.

"The organisation of the event in the context of COVID-19 aims to promptly provide information for enterprises to stabilise production and recover broken chains in the supply of goods, thereby ensuring employment for employees," said Duy.

The event also aimed at promoting online system platforms and digital transformation, which were increasingly widely applied in the trend of the 4.0 revolution, said the deputy minister.

Nguyen Thanh Lam, director of the applied products division of VinAI Research Institute for Artificial Intelligence, gave an example that when launching a Vsmart, VinAI Research produced FaceID technology instead of spending a huge amount of money to buy this technology from the US or China.

Nguyen Xuan Phong, an expert on AI research at Canadian Mila Artificial Intelligence Institute, said AI had developed in the world for a long time, led by

North America with big technology companies. The next wave came from Germany and Japan.

There was still plenty of room for AI in Viet Nam and AI could make its way through every industry, he said.

"It is important to have a key national strategy, selecting strengths in agriculture, health, agro-forestry and fisheries to promote," said Phong.

AI has been included in the list of high technology prioritised for investment and development in Viet Nam since 2014.

The Government has determined this is one of the keys and breakthrough technologies of the fourth industrial revolution, which is necessary to conduct research, but there has been a lack of specific contents to promote its development.

The Ministry of Science and Technology issued a plan to implement research and development of AI in 2018.

The plan aims to link the parties to develop, research, deploy and apply AI technology, promote the technology development in key and advantageous fields.

## Corporate News

### 8. FMC: Fimex establishes food subsidiary

↑ 0.71%

Khang An Food will have a total charter capital of VNĐ234 billion (US\$10 million) and operate in the fields of aquaculture, seafood processing and agricultural production and processing.

Of which, Fimex will contribute VNĐ180 billion in assets and cash to this subsidiary, accounting for 77.1 per cent of the charter capital, while other individuals contribute VNĐ53.6 billion in cash, accounting for 22.9 per cent.

Fimex gained export value of \$20.3 million from shrimp products in July, the highest shrimp export

value ever, according to the company. That is a positive signal for recovery of its business in the second half of the year.

The company's financial statement of the second quarter reported that its net profit in the quarter increased by 2 per cent year on-year to VNĐ52 billion despite the COVID-19 pandemic having a great impact on trade activities.

Ending June, its revenue reached nearly VNĐ1.6 trillion while the post-tax profit was VNĐ92.4 billion.

### 9. SFI: Report on purchasing the treasury shares

↑ 2.08%

Sea & Air Freight International reports the result of the purchase of treasury shares as follows:

- Stock symbol: SFI
- Number of treasury shares before trading: 220,012 shares
- Number of registered shares to buy: 1,480,000 shares
- Bought volume: 1,480,000 shares

- Trading period: from August 05, 2020 to August 19, 2020
- Current treasury shares volume: 1,700,012 shares
- Trading price: VND 20,090/share
- Trading method: order matching and put through.

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