



VIETNAM DAILY NEWS

August 28th, 2020



Table of content

Table of content

1. VN-Index rises as mid-caps attract investors
2. Vietnam's adept handling of Covid-19 outbreak helps calm consumers' fears
3. Japanese investors satisfied with investment conditions in Hung Yen: diplomat
4. All-new playground for EU business
5. MoIT urges plastic producers to apply for anti-dumping duty exemption
6. Limited supply to drive housing prices up: report
7. Vietnam to announce ICT White Book 2020 in December
8. PLP: Result of stock issuance for capital increase
9. CTD: Decision on tax penalties

Market Analysis

1. VN-Index rises as mid-caps attract investors

The VN-Index rose 0.14 percent to 874.71 points Thursday, with investors focused on buying non-blue chip stocks.

The benchmark index fluctuated above and below its opening of 873.67 points throughout the trading day before inching ahead at the end.

According to analysts, although news of Russia moving forward with its Covid-19 vaccine tests have been propping up market sentiment, the fluctuations show that investors get more cautious every time the VN-Index rises, expecting market corrections, especially with Asia-Pacific indices showing mixed results this session.

While China's Shanghai Composite closed 0.61 percent positive and Australia's ASX All Ordinaries added 0.26 percent, Japan's Nikkei 225 shed 0.35 percent, South Korea's KOSPI dropped 1.05 percent and Hong Kong's Hang Seng slipped 0.83 percent.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw 241 stocks rise and 147 fall. Total trading volume was VND6.24 trillion (\$269.7 million), well above last month's daily average of VND4.5 trillion per session.

Investors continued to target mid- and smaller-capped stocks, as they have done for the last two weeks. On Thursday, over 61 percent of trading volume went to tickers outside the VN30, the basket of HoSE's 30 biggest caps.

Brokerage Bao Viet Securities wrote in its latest report that it expects cash to continue moving towards mid-capped tickers with strong individual financials, especially in sectors like industrial zones and building materials which has traditionally attracted strong cash flows in the past.

The VN30-Index gained 0.27 percent this session, with 16 tickers gaining and 8 losing.

Topping gains in this group was FPT of IT services giant FPT, up 3 percent, followed by PLX of petroleum distributor Petrolimex, 2.7 percent, and

MWG of electronics retailer Mobile World, 1.8 percent.

STB of Sabcombank and VPB of VPBank, both private lenders, followed with 0.9 percent each. REE of appliances maker Refrigerated Electrical Engineering and TCH of truck dealer Hoang Huy Group gained 0.8 percent and 0.5 percent, respectively.

Of Vietnam's three largest state-owned lenders by assets, CTG of VietinBank edged up 0.2 percent, VCB of Vietcombank kept its opening price and BID of BIDV slipped 0.6 percent.

Most real estate developers were in the green this session. Apart from TCH, ROS of FLC Faros gained 0.4 percent, KDH of Khang Dien House and NVL of Novaland both added 0.2 percent, while VHM of Vinhomes, the largest one by market cap, topped losses with 1.3 percent.

VIC of Vietnam's biggest private conglomerate Vingroup and VRE of its retail subsidiary Vincom Retail remained flat.

Major losing tickers this session included VJC of budget carrier Vietjet Air, down 1 percent, SAB of major brewer Sabeco and GAS of energy giant PetroVietnam Gas, both down 0.7 percent.

Meanwhile, the HNX-Index for the Hanoi Stock Exchange, home to mid- and small-capped stocks, gained 0.83 percent, and the UPCoM-Index for the Unlisted Public Companies Market added 0.91 percent.

The UPCoM, in particular, has been rising for all but two sessions in the past month. This market is effectively a mezzanine exchange for the HoSE and HNX with lower disclosure requirements to encourage trading of unlisted shares.

Foreign investors continued to offload Vietnamese stocks this session, with a net sell value of VND252 billion (\$10.89 million) on all three bourses. VHM of Vinhomes and VNM of dairy giant Vinamilk, which gained 0.1 percent, were the most net sold stocks.

Macro & Policies

2. Vietnam's adept handling of Covid-19 outbreak helps calm consumers' fears

The Vietnamese government's adept handling of the Covid-19 outbreak has helped calm consumers' fears and buoyed investor confidence in the local stock market, according to VinaCapital, one of the largest asset management firms in the country.

The government's Covid-19 response has earned it widespread praise in the international press. A survey by McKinsey in April showed that nearly half of the respondents expected Vietnam's economy to fully rebound from Covid-19 within 2-3 months.

Meanwhile, Vietnamese citizens gave their government's response to the Covid-19 the highest

Covid-19 derailed the fairly continuous advances of Vietnam's consumer confidence. But that hit is likely to be temporary and is considerably less than the plunge in confidence experienced by most countries, VinaCapital's Chief Economist Michael Kokalari commented.

Fortuitously, Vietnam's relatively robust consumer confidence helped make the country one of the few in the world to report positive economic growth in the first half of the year, with GDP growing 1.8% year-on-year in the first half.

Consumption accounts for about two-thirds of Vietnam's GDP, and high consumer confidence



Source: VinaCapital

ranking in the world as per a survey by German research firm Dalia in March.

Vietnamese Prime Minister Nguyen Xuan Phuc has repeatedly emphasized that the government needed to address the public health emergency while simultaneously fostering economic growth, recognizing that a severe slowdown would cause undue misery for the country's citizens.

propelled a robust "V-Shaped" recovery in domestic demand following the end of the country's brief, three-week "lockdown" in late April.

Vietnamese consumers are currently the second most optimistic in the world after India, according to market research firm Nielsen, which is reflected in Vietnam's robust domestic economic activity, despite Covid-19.

Vietnam's position in the global consumer confidence rankings steadily increased and remained within the world's top-five most confident countries nearly continuously over the last four years.

Vietnam's economic growth is also being supported by strong demand for the “Stay at Home” goods that Vietnam manufactures and sells to developed countries. Surprisingly, domestic consumption actually makes a much larger contribution to the country's economy than the export sector, despite the fact that Vietnam's exports-to-GDP ratio is over 100%.

Vietnam's optimistic consumers are helping to support local stock prices because over one-third of Vietnam's listed companies are “consumer facing” firms that benefit from consumer spending.

In addition, retail investors account for about 85% of stock market trading in Vietnam, and their high level of confidence prompted aggressive buying of Vietnamese stocks earlier this year –despite selling by foreign investors at that time.

“We fully expect that buoyancy to support Vietnamese stock prices going forward,” stated Kokalari.

3. Japanese investors satisfied with investment conditions in Hung Yen: diplomat

Japanese enterprises operating at Hung Yen's industrial park are pleased with favourable conditions they have received here, with many planning to expand their investment, according to Japanese Ambassador to Vietnam Yamada Takio.

The diplomat made the remark at a meeting between working delegations of the Foreign Ministry and the embassy with authorities of the northern province on August 26 to promote investment cooperation between Japan and Hung Yen.

Hung Yen adjoins Hanoi and is located close to the capital's Noi Bai international airport, as well as to the Hai Phong and Cai Lan ports.

At the meeting, Deputy Foreign Minister Le Hoai Trung said the province has all conditions needed to serve all types of investment.

He expressed his hope that the embassy will inform more investors on the locality to boost related economic and cultural cooperation ties.

Chairman of the provincial People's Committee Nguyen Van Phong stated Japan investors in Hung

Yen are highly valued for their investment scale, production technologies, environmental protection efforts, and tax payment.

Currently, Japan is the biggest foreign investor in the province with 166 projects worth over 3 billion USD.

For his part, Yamada Takio highlighted Hung Yen has favourable conditions for building factories, adding that in addition to big names like Panasonic, Toto, and Daikin, small Japanese firms also choose to invest in the locality.

Many of them operate at the local Thang Long 2 industrial park, he said, noting that the expansion of the park will help attract even more Japanese capital.

The diplomat took the occasion to list a number of difficulties in purchasing materials in Vietnam and seeking high-quality employees, then asked local authorities to promote linkages among firms and the development of support industry.

He also suggested Hung Yen boost the quality of high school education and the teaching of the Japanese language at school.

4. All-new playground for EU business

An official from the Ministry of Planning and Investment (MPI) told VIR that the selection of

bidders for public procurement packages in certain sectors “will see some big changes, with competition to further stiffen in the market.”

Under the EVFTA, from now until July 31, 2025, EU firms can join bidding packages in many ministries (see box), cities, and provinces, and state-owned enterprises (SOEs).

First, at central agencies, bidding packages for goods purchase, consultation, and non-consulting, the price is a special drawing right (SDR) of 1.5 million (\$2.3 million) or higher. For construction bidding packages, the price is SDR40 million (\$56.52 million) or higher. At local-level agencies and others, the price of these bidding packages is SDR3 million (\$4.2 million). The threshold for construction bidding packages is SDR40 million (\$56.52 million). The SDR is an international reserve asset, created by the International Monetary Fund.

Regarding medicine purchase at healthcare agencies, in case the bidding package includes only one drug, the price is SDR130,000 (\$191,000).

Vietnam has committed to allowing EU suppliers to bid for up to 50 per cent of the pharmaceutical purchases by the Ministry of Health and many of the hospitals under its control, as well as major research facilities. This will occur over a period of 15 years.

The EU penetration is expected to heat up competition in the local public procurement market which was in the past restricted to domestic firms. In January 2019, Vietnam also opened the market to 10 member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in some sectors. However, the access under the EVFTA is wider than in the CPTPP as EU firms can join bidding in more instances.

Market watchers said that the EVFTA will create a new chapter for public procurement, enabling the country to balance value and quality. Specifically,

Vietnam can approach high-quality goods and services, and attain technology and strong expertise from the EU, while possibly excluding unqualified contractors and creating a healthy and competitive market. The competition is also good encouragement for Vietnamese firms.

Currently, Chinese firms profit the most from Vietnam's procurement market, with about 90 per cent of power, mining, manufacturing, ferrous, and chemical contracts of SOEs going to them. Many projects with involvement of Chinese contractors have caused sluggishness and negative social impacts. Vietnam's public procurement is a magnet to EU businesses as it has one of the highest ratios of public investment to GDP in the world. The Vietnamese government is the biggest purchaser of goods and services in Vietnam, accounting for 35.7 per cent, or \$26.45 billion, of total capital expenditure in 2018.

Thus far, several big EU firms have appeared seeking business and investment opportunities in Vietnam. For instance, Ulf Rudebark, SEK, SAAB, Asix Communications, and Volvo have shown interest in Long Thanh International Airport.

EU companies are also showing interest in bidding contracts for key national transport projects such as the Eastern Cluster of the North-South Expressway, the third terminal of Tan Son Nhat International Airport, and other expressway projects.

In the lucrative pharmaceutical industry, the right to join tenders in over 30 hospitals is good news for multinationals like Novartis, Sanofi, AstraZeneca, and Hoffman-La Roche, enabling them to expand footprint. Currently, the ethical drugs channel is the most profitable, accounting for around 70 per cent.

The MPI in early August issued Document No.5079/BKHDT-QLDT on the country's EVFTA commitments on public procurement so that local and central authorities can make preparations.

5. MoIT urges plastic producers to apply for anti-dumping duty exemption

Deadline for the submission is 5pm, September 24, 2020.

On July 20, the ministry issued Decision No 1900/QĐ-BCT about the imposition of official anti-dumping duty on plastics and articles made of polymers of propylene originating from China, Thailand and Malaysia. The official duties ranged

from 9.05 per cent to 23.71 per cent, taking effect from July 23 and valid for five years.

Under the ministry's Circular 37/2019/TT-BCT regulating the application of trade defence instruments, the exemption of anti-dumping duty would be given to imported products which domestic producers could not produce or which could not be replaced by domestically-produced products.

Other items subject to the exemption included imported products which competed directly with domestically-produced products but were not sold in the domestic market and products for which local production did not meet domestic demand.

In order to obtain exemptions from the anti-dumping duty, importers of one of the products eligible for exemption must submit applications regarding the anti-dumping duty.

6. Limited supply to drive housing prices up: report

The report expected the increase to be 7-10 percent in Ho Chi Minh City and 2-3 percent in Hanoi as the licensing hassles hit supply and land prices remain high.

Housing projects are inspected to ensure complete legality if they are on land parcels of which even a portion used to be public in the past, and this is delaying licensing, said the report.

Nevertheless, SSI forecast average pre-tax profits of listed property companies to grow by 10 percent this year.

Some developers have been expanding to the suburbs of major cities and building large townships, attracting an increasing number of buyers, it said.

The report also referred to the impacts of the Covid-19 pandemic on the housing market. In the first half of the year sales of premium apartments, or those costing over VND60 million (\$2,600) per square meter, fell 30 percent year-on-year, it said.

Apartment rents have dropped by 20-25 percent due to a shortage of foreign tenants, it added.

7. Vietnam to announce ICT White Book 2020 in December

The compiling committee of Vietnam's ICT White Book held a meeting on August 26 to discuss the content of the 2020 edition.

The event followed the Minister of Information and Communications' Decision No.1267/QD-BTTTT dated July 28, 2020 on the establishment of the compiling committee.

Chairing the meeting, Deputy Minister of Information and Communications Phan Tam asked participants to check the targets of each sector and field to increase diversity in content.

Vietnam's ICT White Book 2020 is planned to include three parts, the first being an overview of IT development in the country and around the globe in recent years; highlights in Vietnam's IT industry; Vietnam's global IT ranking; the role and content of the national digital transformation programme, as

well as its importance to national socioeconomic development; orientations for the IT industry, and electronics and telecommunications development.

The second part will provide statistics on the IT industry from 2019; the list of 20 localities taking the lead in IT revenue, number of IT businesses, and workforce; the top 20 IT businesses in revenue, IT workforce, and state budget contribution.

The third part will introduce IT-related agencies and organisations.

In addition, the book will analyse the implementation results of the national IT industry development programme in 2015-2019; generalise national digital transformation; and provide statistics about foreign investment in the IT industry, among others.

Vietnam announced the ICT White Book 2019 late last year with some new sections on IT development, data about IT development in

localities, and the development of IT businesses, helping people, businesses, and agencies in looking up and using databases.

Corporate News

8. PLP: Result of stock issuance for capital increase

↑ 1.94%

Pha Le Plastics Manufacturing and Technology Joint Stock Company has reported the result of a stock issuance to increase its share capital from the owner's capital as follows:

I. Information on stock:

- 1) Stock name: Stock of Pha Le Plastics Manufacturing and Technology Joint Stock Company
- 2) Charter capital: VND250,000,000,000
- 3) Stock type: common share
- 4) Stock code: PLP
- 5) Par value: VND10,000/ share
- 6) Number of shares expected to be issued: 15,000,000 shares
- 7) Purpose: a stock issuance to increase its share capital from the owner's capital

8) Record date: August 14, 2020

9) Estimated trading date: in September 2020

II. Result:

- 1) Number of distributed shares: 14,999,847 shares
- 2) Number of distributed shareholders: 1,786 shareholders
- 3) Plan to deal with fractional shares: The distributed shares will be rounded down. The fractional shares will be cancelled.
- 4) Total current shares (August 26, 2020): 40,000,000 shares
 - Outstanding shares: 39,999,847 shares
 - Treasury shares: 153 shares

9. CTD: Decision on tax penalties

↓ -1.12%

Coteccons Construction Joint Stock Company received the decision of tax inspection by the Taxation Department of Ho Chi Minh City dated August 25, 2020 regarding the tax penalty as follows:

- Penalty for false declaration: VND 211,423,463

- Corporate income tax arrears: VND 1,046,617,314
- Personal income tax arrears: VND 190,367,992.

Research Team:**Tsugami Shoji**

Researcher

jsi@japan-sec.vn**Disclaimer:**

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn