VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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Market Analysis

1. Shares slip as virus cases surge

Vietnamese stock markets ended lower on Friday as a continued rise in coronavirus cases dashed hopes of a swift recovery from the pandemic-hit economic downturn.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 0.34 per cent to end trading at 798.39 points.

Nearly 250 million shares were traded on the southern bourse, worth VND3.9 trillion (US$168 million).

Market breadth was negative with 255 shares falling and 115 gaining.

The southern market index had gained 1.30 per cent to end Thursday at 801.13 points.

Viet Nam confirmed 45 new COVID-19 patients Friday morning, all linked to hospitals in Da Nang, now Viet Nam's biggest outbreak, raising the nation's active cases to 140.

With the 45 new cases, the largest number of domestic infections reported in one day in Viet Nam since the first cases were detected in the country in February, as well as 37 cases on Friday evening, the nation now has 546 COVID-19 patients. Of these, 369 have recovered.

A 70-year-old COVID-19 patient with multiple comorbidities died on Friday, the first fatality ever recorded in Viet Nam so far.

According to Thanh Cong Securities Co (TCSC), the short-term trend of the VN-Index is still unpredictable as investors are quite sensitive to the COVID-19 movements.

TCSC recommended investors maintain a safe rate of stocks in portfolios at 30-40 per cent for medium and long-term goals.

The large-cap VN30-Index, tracking the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, dropped 0.71 per cent to close Friday at 740.73 points.

In the VN30 basket, notable decliners were insurer Bao Viet Holdings (BVH), Vietinbank (CTG), Vingroup (VIC), Techcombank (TCB), Vinamilk (VNM), Sabeco (SAB), PVPower (POW), Hoa Phat Group (HPG), PetroVietnam Gas JSC (GAS), Military Bank (MBB) and FPT Corporation (FPT).

On a sector basis, 15 out of 25 sectors on the stock market decreased, including food and beverage, banking, insurance, securities, healthcare, information and technology, rubber production, seafood processing, construction and construction materials.

Real estate, agriculture, and logistics were among the losers.

Foreign investors net sold VND129.55 billion on the HOSE. They were net buyers on the HNX with a value of VND4.54 billion

On the Ha Noi Stock Exchange, the HNX-Index slumped 0.55 per cent to end at 107.51 points.

It had risen 1.17 per cent to end Thursday at 108.10 points.

Nearly 37 million shares were traded on the northern exchange, worth VND375 billion.

Macro & Policies

2. World Bank provides $6.2 mln to support Vietnam's Covid-19 fight

"The Covid-19 situation in Vietnam is evolving quickly," Stefanie Stallmeister, acting country director for the World Bank in Vietnam, said at a ceremony on Thursday where the agreement was signed.

"This emergency operation will not only support the government to quickly monitor and respond to Covid-19 but also contribute to building a resilient health system for future health emergencies," she said.

The grant is expected to help strengthen the capacity of the National Institute of Hygiene and Epidemiology and other agencies nationwide to evaluate community immunity to Covid-19.

The money will support 200 laboratories to improve their surveillance and testing capabilities.

It will also fund the purchase of equipment by the Center for Research and Production of Vaccines and Biologicals for research into and development of new vaccines and quick diagnostic tests.

Vietnamese researchers are working hard to get a Covid-19 vaccine ready for human clinical trials by the end of this year.

The country is struggling with a new wave of Covid-19 infections, with 93 cases confirmed within just in a week after the first was reported last Saturday, ending a 99-day streak of no local transmission.

There were 45 new cases on Friday morning, the largest number reported in one day since the first ever cases were detected in February. The country has now had 509 patients, 369 of whom have recovered.

Hanoi and HCMC, where two cases were reported each, have been speeding up mass testing of those returning from Da Nang.

On Thursday Hanoi started testing some 21,063 people who had visited Da Nang, a central holiday getaway that has been a big draw for travelers since restrictions were eased.

Around 22,000 people returned to HCMC from Da Nang, and 32,000 to Hanoi.

3. Vietnam discovers oil & gas well with record reserves

An oil and gas well has been discovered offshore Vietnam with record reserves that help state-run energy group PetroVietnam fulfil its reserves plan set for this year, local media reported.

The discovery of Ken Bau-2X, located in Block 114 of the Red River Basin, is estimated to provide 9 trillion cubic feet in place with 400 – 500 million barrels (Mbbl) of associated condensates.

Eni Vietnam and Essar E&P, two operators of Block 114, each holds 50% share of the exploration contract.

In 2020, Ken Bau-2X was drilled 2km apart from Ken Bau-1X, the first well in 95 meters of water depth till a total depth of 3,658 meters below sea level and encountered a pay in excess of 110 meters in several intervals of miocene sandstones interbedded with shale.

The result of estimated reserves from Ken Bau-2X well appraisal is the historical discovery of Vietnam oil and gas industry so far.

Eni Vietnam, with its partner, is currently planning additional drilling and testing on Ken Bau discovery coupled with new drilling and seismic activity in the Red River basin, where Eni operates with a 100% share the neighboring Block 116.

The operator will prepare a reserve and mine development report. It is expected that Ken Bau can be put into exploitation by 2028, according to PetroVietnam.

PetroVietnam said this is a crucial premise for exploration activities as well as further exploitation in the Quang Tri, Thua Thien-Hue and central regions, contributing strongly to promoting the gas power industry in the central region.

It is also expected to contribute to ensuring national energy security and promote the sustainable development of Vietnam's oil and gas sector in the future.

The gas market in Vietnam is rapidly growing, driven by the country's consistent GDP progression and consequent development of gas-to-power plants supplied by domestic resources and, in the future, imported LNG, according to Eni Vietnam.

Established in 2013, the company currently operates four blocks all located in the under-explored Red River and Phu Khanh basins, offshore central Vietnam.

4. Viet Nam needs full market economy: experts

"The local economy is now owned and controlled by the State, so it is not yet a market economy," said Nguyen Dinh Cung, former director of the Central Institute for Economic Management (CIEM) at the seminar "Dialogue on Viet Nam's market economy institutions" held by the National Economics University and CIEM Wednesday in Ha Noi.

Cung pointed out that the country has been on the path to become a market economy for the last 30 years, adding: "I hope the path will end soon."

He said the State's ownership is transferred very slowly, while economic management must be run by the market not the State. He suggested the State should run the market in necessary areas and give space for a market economy.

Cung considered the level of market development of the economy and the effectiveness of the Government as two indicators of a good market economy but he said: "These indicators in Viet Nam are not good."

Cung said there should be a balance between the managing role of the State and the market, emphasising that "the market economy might not solve all the problems of the economy, but without it, our economy will fail."

Economist Pham Chi Lan said there were resolutions and documents to build a market economy in Viet Nam but, for years, they have been struggling to remove barriers.

Lan said though the local economy has state-owned enterprises (SOEs), FDI enterprises and private enterprises, SOEs and FDI enterprises still had the upper hand in policies and incentives.

Lan said: "In the current GDP structure, the private sector contributes less than 10 per cent," meaning the low ratio of private sector participation could not help build a market economy.

Economist Le Dang Doanh said though 90 countries have recognised Viet Nam as a market economy, according to the evaluation of the US and the European Union, Viet Nam does not have one.

To be recognised, Doanh suggested the country step up the removal of barriers in institutions and the Government should not intervene deeply into the economy but only hold ownership in some crucial industries.

Doanh said if so, the economy will gain many benefits, while many procedures will be reduced to help local businesses cut costs.

Fred McMahon, from Canada's Fraser Institute, said that Viet Nam has a remarkable economic growth record, adding that economic freedom would help create momentum for growth to overcome the middle-income trap.

At the seminar, experts said Viet Nam should build the economy based on an international set of indicators, similar to how it developed the business environment according to the index of the World Bank and the World Economic Forum.

Tran Tho Dat, president of the National Economics University, said: "It is time to pay attention to the indicators of economic freedom as a measure of the full development of Viet Nam's market economy, especially for Viet Nam to overcome the low average development threshold."

5. Vietnam transport ministry plans over US$17 billion to build expressways in 5 years

Vietnam's Ministry of Transport (MoT) has asked for funding of VND400 trillion (US$17.4 billion) from state budget to build a network of expressways across the country in the 2021 – 2025 period.

The construction of new expressways would help connect vital routes including expressways from Can Tho to Ca Mau, Hanoi – Huu Nghi border gate, Hoa Binh – Moc Chau – Son La, as well as expressways to Bac Kan and Mong Cai, Minister of Transport Nguyen Van The said at a meeting with Deputy Prime Minister Trinh Dinh Dung on July 30.

To ensure the timely implementation of those projects, the MoT has instructed project management units to draft feasibility study reports, The added.

A report from the MoT revealed as of June 30, the agency disbursed 33.7% of the target of VND39.76 trillion (US$1.73 billion) in public investment for this year, higher than the average national disbursement rate of 28.9%.

By the end of July, the MoT is set to disburse 41.7% of the target, including 48.5% from the domestic funds and 34.3% from foreign sources.

Vice Minister Nguyen Ngoc Dong said one of the main bottlenecks to speeding up disbursement rate is the slow progress in site clearance, while complicated administrative procedures are making it hard for the MoT to accelerate the construction progress.

Among measures to boost disbursement of public investment in the remaining months of this year, the MoT suggested the government address issues related to site clearance.

At the meeting, Deputy PM Dung requested the MoT to speed up the construction of major projects, including the North – South expressway, Trung Luong – My Thuan expressway, My Thuan bridge, Cat Linh – Ha Dong urban railway, among others.

Public spending with a focus on greater disbursement of public investment is considered key measures to help Vietnam's economy recover from the Covid-19 pandemic.

This year, the Vietnamese government targets to disburse VND700 trillion (US$30 billion), more than double the actual amount in 2019 at VND312 trillion (US$13.4 billion).

6. Enticing legal changes lure in foreign investors

The European Chamber of Commerce in Vietnam (EuroCham) has just announced the Business Climate Index (BCI) for the second quarter, showing confidence after COVID-19 among European business leaders in Vietnam.

Specifically, the positive sentiment of European business leaders began to bounce back, recording a 7 per cent jump between February and April to reach 34 per cent. Meanwhile, more than half of executives predicted that Vietnam's macroeconomic climate would "stabilise and improve" in the next quarter – a significant rise compared to the first quarter, when just 10 per cent anticipated an improvement.

The BCI found that more than a quarter of European enterprises had benefitted from the government's postponement of tax, while around one fifth had benefitted from a reduction in rent and a suspension of social insurance contributions.

EuroCham chairman Nicolas Audier told VIR, "European enterprises have been growing their investment in Vietnam for some time. The country's strong economic growth, large consumer market, and positive legal reforms have made Vietnam an attractive destination for European investment. Continued legislative modernisation will help to attract greater EU investment in the future."

"This trend is set to accelerate with the imminent implementation of the EU-Vietnam Free Trade Agreement (EVFTA) on August 1. The EVFTA will offer new opportunities to European investors in sectors ranging from higher education to environmental services and from telecommunications to maritime transport. So, we anticipate that European investment will continue to rise over the course of the agreement's decade-long implementation period," he noted.

In a similar trend, some Singaporean investors have moved into Vietnam in recent years, including the Blue Circle SHS Holdings, Sinergy Holdings, Koda Ltd., and Kwan Brothers Pte., among many others.

Jeffrey Wandly, vice president of the Singaporean Business Association Vietnam (SBAV) told VIR that, "Investment trends are increasingly visible in innovation and technology-based businesses, start-ups, and small and medium-size enterprises (SMEs), taking advantage of investment incentives and focusing on the consumer market, manufacturing, infrastructure, and urban solutions."

Meanwhile, 15 Japanese firms have registered to move to Vietnam as part of efforts to diversify their supply chains.

There is no doubt that recent legal reforms have spurred the trend, and new efforts in rationalising the public-private partnership (PPP) framework, the new laws on investment and enterprises will facilitate further business and investment activities from international financiers.

"The new Law on Investment is expected to set out regulations to facilitate investors in carrying out administrative procedures, investment, land and construction, thereby attracting foreign investment in Vietnam," Wandly noted.

Despite the positive signs, some concerns remain among the international business community. Audier elaborated that some aspects of the new Law on Investment, such as the increased amount of discretionary scrutiny from the administration, in particular on the approval of foreign investment and mergers and acquisitions – even in sectors which Vietnam has committed to liberalise – and the suspension or termination of foreign investors' projects, have the potential to make the business environment less predictable.

Meanwhile, SBAV vice president Wandly is worried about the fact that the new Law on Investment for foreign investment focuses on technology, innovation, and research and development. However, the addition of national security as a criterion for investment review creates some uncertainty as to how far this reason could cover and deter foreign investments in sensitive and protected sectors.

Regarding the law on PPP investment, he added that the minimum investment capital requirement for PPP projects is very high and only very large-scale foreign direct investments (FDI) can participate in these, excluding those with limited financial capacity.

Vietnam's new laws are expected to take effect on January 1, 2021. Till then there are several months for the Ministry of Planning and Investment (MPI) to complete draft decrees guiding them.

According to statistics from the MPI, Singapore, Japan, South Korea, and the EU remained the country's biggest foreign investors in the first half of 2020, contributing to the country's $15.67 billion worth of newly-registered FDI and stake acquisitions, equal to 84.9 per cent of the same period last year. Experts projected a new wave of foreign investment inflows into the country in the months to come, with the above-mentioned foreign investors to lead the tide.

7. Vietnamese goods face tough road to foreign markets due to trade remedies

With an array of free trade agreements (FTAs) inked and coming into force, countries around the world have also increased technical barriers to protect their domestic industries, exposing many

Vietnamese businesses to the risk of losing markets if they lack thorough preparations.

Vietnamese exports are currently facing more than 170 trade remedy lawsuits in many countries and territories, with 80 percent related to the steel sector, according to the Trade Remedies Authority of Vietnam (TRAV) at the Ministry of Industry and Trade (MoIT).

The Vietnam Steel Association said Southeast Asia is the destination of 60 percent of total steel exports, while other markets include Europe, the US, Australia, and the Eurasian Economic Union (EAEU). However, export opportunities are at risk of being narrowed as a number of major markets, like the US, the EU, Australia, some ASEAN countries, and the EAEU, have launched lawsuits against Vietnamese goods.

For example, in December 2019 the US Department of Commerce imposed duties of up to 456 percent on certain corrosion-resistant steel products and cold-rolled steel processed in Vietnam using materials from the Republic of Korea (RoK) and Taiwan (China).

The Australian Anti-Dumping Commission recently initiated anti-dumping and anti-subsidy probes into several aluminium-zinc coated steel products from Vietnam and elsewhere.

Earlier, after the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was signed, many steel producers boosted exports to Canada, which is also a member of the deal. In response, the Canadian Government immediately carried out an investigation into Vietnamese steel.

According to the Canada Border Services Agency's preliminary conclusions, corrosion-resistant steel from Vietnam was dumped at margins of between 36.3 percent and 91.8 percent, and corresponding temporary duties will be imposed.

Apart from steel, Vietnamese products such as car bodies, lawn mowers, foam mattress, polyester spun yarn, and 6mm-thick MDF board are also at risk from safeguard measures being imposed in many markets, mainly the US, the RoK, India, Indonesia, Australia, and Thailand.

TRAV said that in order to protect Vietnamese products, the MoIT has swiftly assisted businesses subject to such investigations to complete the necessary paperwork for submission to foreign agencies. It has also sent documents to those countries expressing concern about their probes into Vietnamese exports.

To help reduce the risks posed by such trade remedy barriers, the ministry has submitted a draft plan on building and operating an early warning system for trade remedies to the Government, the authority noted, adding that actions in the initial stage of investigations are critical to minimising any adverse impact on exporters.

It also suggested businesses proactively reform their production processes and ensure product origin is transparent, considering the use of locally-sourced materials as a guarantee for their exports.

Economic experts said that as market developments will remain complicated in the time ahead, enterprises and their associations need to work closely with ministries and sectors to deal with trade remedy lawsuits and, more importantly, prevent origin fraud by foreign goods.

To help protect domestic firms, the MoIT will also carry out trade remedy inspections against imported goods.

For example, it applied official anti-dumping duties, with 23.71 percent being the highest, on certain products with biaxially oriented polypropylene (BOPP) film originating from China, Thailand, and Malaysia on July 20. Earlier, it received a request for an anti-dumping probe into H-shaped steel products from Malaysia.

Corporate News

8. NVL: Novaland Group parnters with Minor Hotel to manage 5-star int'l hotel in HCM City

↑ 1.56%

Novaland Group has partnered with Minor Hotel to manage the first branded Avaniin HCMC – AvaniSaigon at The Grand Manhattan, which is a luxury apartment complex in District 1.

Through the agreement, AvaniSaigon Hotel will be designed and managed following international 5-star standards by Minor Hotels, including 217 rooms and high-class amenities including a spa, a fitness centre, infinity swimming pool, restaurant and bar. AvaniSaigon Hotel will be located from the 3rd – 7th floor of The Grand Manhattan building.

Sharing about this partnership, Bui Xuan Huy – CEO of Novaland Group said: "With the desire to make The Grand Manhattan a quintessence symbol of the heart of Saigon, as well as to meet the luxurious lifestyle of upper-class customers, successful Vietnam and international businessmen, Novaland has constantly made efforts and innovations, bringing more values and experiences to project. We believe that the cooperation with Minor Hotel Group to consult and manage 5-star hotel named AvaniSaigon will be a strategic step creating a strongly external push and offering outstanding values to The Grand Manhattan as well as its community."

Dillip Rajakarier, CEO of Minor Hotels, the parent company of Avani Hotels & Resorts said: "AvaniHotels is one of the Minor Hotels fastest growing brands in the company, with over 30 hotels in 18 countries around the world. Scheduled for an opening in early 2023, AvaniSaigon Hotel will be located in a strategic location in the heart of beautiful Ho Chi Minh City and ideally surrounded by a blend of colonial and modern architecture. I am confident that the completion of the hotel and the cooperation between our two great companies will open more opportunities, as well as tremendous growth."

With the ultimate advantages of location and architecture, smart planning and optimal eco-living for residents, The Grand Manhattan deserves to be a symbol of prosperity in District 1's centre. The partnership between Novaland Group and Minor Hotels to develop and manage the international 5-star hotel – AvaniSaigon at The Grand Manhattan will not only complete the luxurious living for residents but also contribute to the growth of Ho Chi Minh City.

9. MWG: Explanation for Q2.2020 financial statements

↑ 0.27%

The Mobile World Investment Corporation explained the change over 10% between the financial statements in Quarter 2 of 2020 compared to the Quarter 2 of 2019 as follows:

a) Explanation for the consolidated financial statements in Quarter 2 of 2020 compared to the Quarter 2 of 2019:

The consolidated profit after tax in Quarter 2 of 2020 was 894 billion dongs, down 17% compared to the Quarter 2 of 2019 (1,080 billion dongs). The consolidated profit after tax in accumulation 6 months of 2020 was 2,207 billion dongs, down 4% compared to the accumulation 6 months of 2019 was 2,121 billion dongs. With this result, the company has completed 59% of the profit plan of 2020.

Reason: Since the second quarter of this year, the Company has been affected by the Covid-19 epidemic, especially the disruption of operations at hundreds of stores in April to coordinate the prevention of disease at the request of state agencies.

b) Explanation for the separate financial statements in Quarter 2 of 2020 compared to the Quarter 2 of 2019:

The parent company profit after tax in Quarter 2 of 2020 was 2,298 billion dongs, up 359% compared to the Quarter 2 of 2019 (501 billion dongs). The parent company's profit after tax in accumulation 6 months of 2020 was 3,097 billion dongs, up 88% compared to the accumulation 6 months of 2019 was 1,651 billion dongs.

Reason: Income from dividends of parent company in the Quarter 2 of 2020 was 2,298 billion dongs (Quarter 2 of 2019 was 501 billion dongs). Accumulation in first 6 months of 2020, income from dividends of parent company was 3,098 billion dongs (first 6 months of 2019 was 1,650 billion dongs).

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