VIETNAM DAILY NEWS

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Market Analysis

1. Shares hold onto 900 points under heavy profit taking

Vietnamese shares staggered on Wednesday to extend the market rally to a fourth day under profit taking pressure, led by retail and energy sectors.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange inched up 0.14 per cent to close Wednesday at 897.47 points after having gained as much as 0.15 per cent during the day.

The VN-Index has totalled a four-day rally of 0.97 per cent starting on Friday.

The retail and energy industries helped boost the index to near 900 points on Wednesday.

The two-sector indices rose 1.6 per cent and 1.9 per cent, respectively, according to vietstock.vn.

Large-cap stocks in the two sectors advanced such as Mobile World Investment (MWG), FPT Retail (FRT), PetroVietnam Drilling and Well Services (PVD) and PetroVietnam Technical Services (PVS).

Other sectors that also had strong gains included technology, securities, pharmaceuticals and medicals, and real estate.

On the opposite side, food and beverage, aquaculture, and some financial-banking companies weighed on the market.

Among the worst performing stocks in the three sectors were dairy producer Vinamilk (VNM), consumer firm Masan (MSN), Vietinbank (CTG), and Bank for Investment and Development of Vietnam (BID).

By market capitalisation, the blue-chip tracker VN30-Index added 0.14 per cent to 834.50 points.

The VN30 futures due on September 20 edged up 0.2 per cent on Wednesday.

The large-cap basket trading was balanced with 11 gaining stocks and 11 decliners while eight finished flat.

The mid-cap tracker VNMID-Index advanced 0.44 per cent while the small-cap index VNSML slid 0.03 per cent.

On the Ha Noi Stock Exchange, the minor HNX-Index slid 0.05 per cent to 127.87 points, snapping a three-day increase of total 1.68 per cent.

More than 354.4 million shares were traded on the two exchanges, worth VND5.9 trillion (US$254 million).

Meanwhile, the market sentiment turned cautious ahead of the Fed's meeting conclusion later in the day, MB Securities Co (MBS) said in a note.

Foreign exchange-traded funds (ETFs) shaking up their investment portfolios this week would also be another factor that can rock the market, the company said.

Given high trading liquidity, the market outlook remains positive in the short term, Thanh Cong Securities (TCSC) said in its daily report on Wednesday.

"But the 900-point level will still be a challenge for the VN-Index" and "the benchmark will struggle with this short-term peak and move between 875 points and 905 points," TCSC forecast. — VNS.

Macro & Policies

2. Life insurers eye bigger slices of Vietnam's growing market

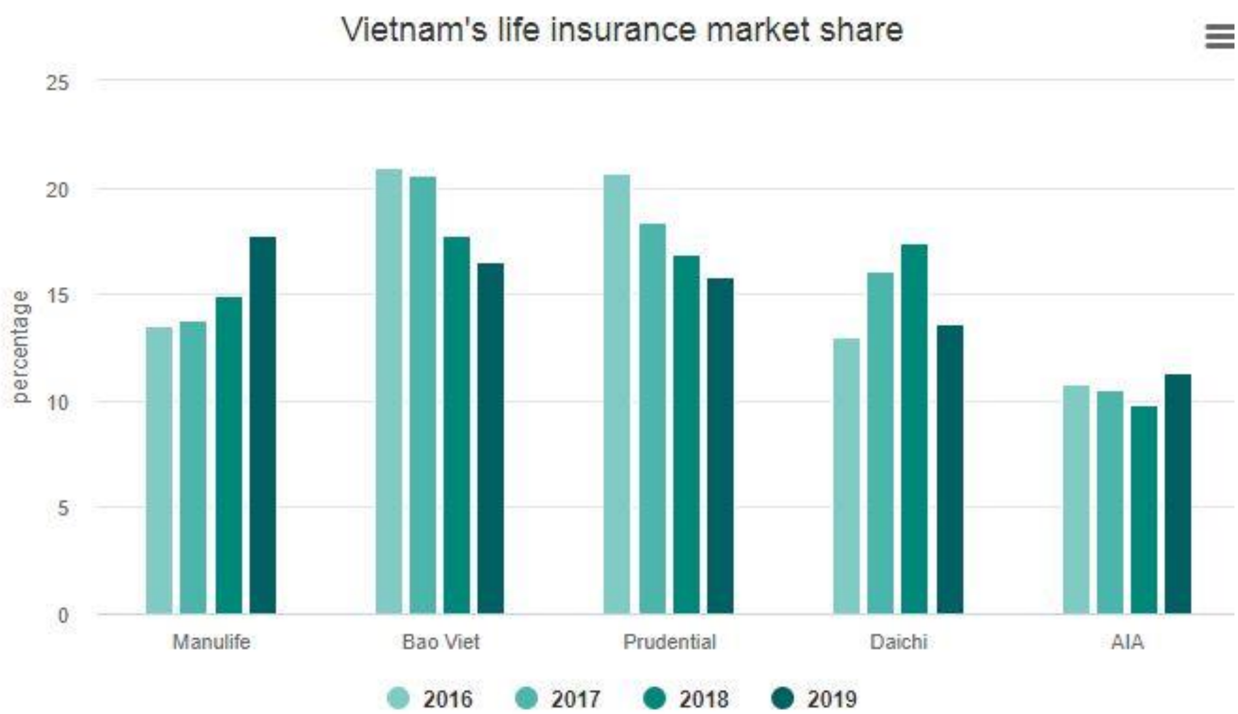
Vietnam had 18 life insurance companies with combined premium revenues of VND106.6 trillion ($4.6 billion) last year, up 24 percent year-on-year and 2.8 times since 2015, according to a recent report by the Ministry of Finance.

In terms of new contracts, Manulife Vietnam led the market for the first time with 17.7 percent, followed by Bao Viet Holdings with 16.49 percent and Prudential Vietnam with 15.78 percent. The latter two have taken turns to lead the market in recent years.

After making losses in 2017 and 2018, the company managed to earn a pre-tax profit of VND1.26 trillion last year.

State-owned Bao Viet Holdings, the second largest insurer, saw its share of new contracts drop by 4.4 percentage points between 2016 and last year.

The company, in which the Ministry of Finance holds a 65 percent stake, has not made any major bancassurance deals and relies on traditional channels. It had 2,500 salespeople last year, equal to that of Manulife and Prudential combined.



Canadian insurer Manulife has in recent years been seeking to increase sales of bancassurance, which refers to selling insurance products through banks. It signed an exclusive bancassurance contract with leading private lender Techcombank in 2017.

The company has reportedly emerged as the leading bidder for the Vietnamese operations of British insurance company Aviva Plc. The deal, if successful, would allow it to sell its products via VietinBank, one of the country's four large state-owned lenders.

Its pre-tax profit last year was the lowest of the three at VND1.1 trillion.

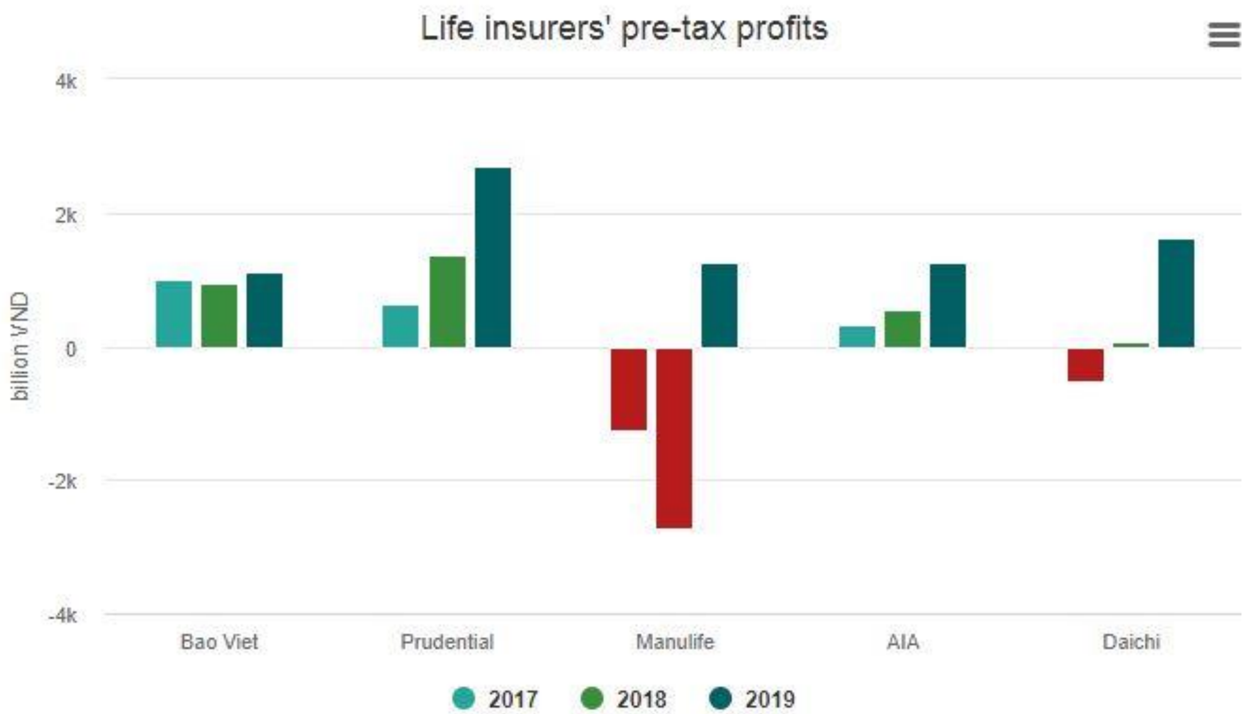
Third-placed Prudential Vietnam has seen revenues drop in recent years since being overtaken by Bao Viet in 2017.

Company executives said they have been focusing on utilizing experienced employees instead of rushing to recruit new ones in recent years.

This strategy has apparently worked for one of the earliest entrants to the Vietnamese market as it topped in the industry last year in terms of profits with VND2.69 trillion, double that of second placed Manulife's.

Industry insiders said competition is expected to become fiercer in the coming years.

Chung Ba Phuong, CEO of insurance consultancy TC Advisors, said bancassurance and sales through other organizations are set to dominate the life insurance market just as happened in other more developed markets.



3. Local airlines rush to increase domestic flights

On September 14, Vietnam Airlines announced it would increase the number of flights from Hanoi City to Vinh, Quy Nhon, Tuy Hoa, Nha Trang, Dalat and Pleiku this month. The weekly flights are set to be revised up by 2-16 on each air route.

The carrier is increasing its flights on the Hanoi-Danang route by four per day from today, September 16, while five additional daily flights will also be operated on the HCMC-Danang air route.

As the number of passengers and Vietnam Airlines' domestic flights are on the rise, the carrier's operations are expected to soon return to normal, said a representative of the carrier.

Since the Covid-19 pandemic has been temporarily contained in the country, Vietjet has restarted the Danang-Haiphong/Dalat/Buon Ma Thuot/Can Tho/Nha Trang air routes, with a flight frequency of 1-5 per week.

The airline has increased the number of daily round-trip flights by four on the Danang-HCMC air route from September 13, while the Danang-Hanoi route is seeing its daily flights rise by three. In October, the carrier will increase the number of daily flights on the two air routes by 7-10.

Meanwhile, Bamboo Airways announced that it would open three air routes from Hanoi, Haiphong and Vinh to Con Dao in late September to serve local tourists after the coronavirus outbreak is brought under control.

4. Electricity demand in Vietnam forecast to grow by 9% from 2021 onwards: Fitch

Electricity demand in Vietnam is forecast to continue to increase at an average rate of 9% a year from 2021 onwards, driven by rising industrialization, urbanization and affluence, according to Fitch Ratings.

Meanwhile, Vietnam has a solid national electrification ratio of about 99%, with the ratio reaching almost 100% in urban areas.

Additionally, Vietnam's installed capacity is set to increase to about 70 gigawatts (GW) by end-2022 (2019: 55GW), led mainly by private players and other government-owned entities, Fitch stated.

The share of coal-fired capacity has increased steadily over the previous few years, and Fitch expected this to account for the majority of Vietnam's capacity addition in the near term.

The country turned into a net importer of coal in 2015, and Fitch said Vietnam's reliance on imported coal will increase, as most of the country's hydro potential has been utilized and domestic gas reserves are declining.

Vietnam Electricity's rating affirmed at "BB" with stable outlook

The rating agency affirmed Vietnam Electricity (EVN)'s Long-Term Foreign- Currency Issuer Default Rating (IDR) at "BB" with Stable Outlook, adding the firm's ratings reflect its Standalone Credit Profile (SCP), which is at the same level as that of the Vietnam sovereign rating (BB/Stable).

Nevertheless, the rating agency expected EVN's financial profile to be much stronger than the one that is commensurate for its SCP assessment, while an upward revision of EVN's SCP is contingent on consistent application of electricity regulatory reforms.

In the absence of required increase in power tariffs, EVN's financial profile can deteriorate more rapidly than its peers given its reliance on volatile hydro power and high exposure to foreign-currency denominated debt, Fitch noted.

EVN can increase electricity tariffs every six months, in line with rising production costs, under the regulatory framework introduced in August 2017. However, automatic adjustments are limited to 5%; price increases between 5% and 10% require approval from the Ministry of Industry and Trade, and larger increases require approval from the prime minister.

The last electricity tariff increase in Vietnam was implemented in March 2019, taking average tariffs up by 8.36% to VND1,864/kWh (US$0.08). The hike was the first since a 6.1% jump in December 2017. Fitch, however, expected delays in implementing tariff increases to continue due to the effect on inflation and economic growth.

Fitch said Vietnam will stand out among Asia's frontier and emerging markets this year on economic resilience and success in containing the coronavirus outbreak. Nonetheless, the lockdown has slowed electricity demand, especially from industrial and commercial customers.

Fitch's rating case assumes electricity volume growth of 2% in 2020, against an average of 10% a year over the last four years. The government has also directed EVN to supply free power or offer discounts to certain categories of customers to manage the pandemic's economic impact. Even so, EVN's SCP has reasonable headroom to absorb the effect of the lower electricity demand and reduced electricity tariffs, it said.

5. Room remains large for Vietnam to increase exports to EU

With Vietnamese goods currently only account about 2% of the EU's imports, the room to increase exports to this market remains large with the presence of EU – Vietnam Free Trade Agreement (EVFTA), according to Bao Viet Securities Company (BVSC).

One month after the EVFTA took effect, export of many Vietnamese products has risen considerably to the EU market.

Since early August, seafood export has increased about 10% compared to July, with shrimp and squid making up the largest growth. In August, shrimp exports to the EU were estimated to increase by 20% year-on-year.

Right after the EVFTA came into force, Vietnam's frozen black tiger shrimp started enjoying 0% tax rate, instead of 4.2% GSP rate (developed countries' preferential tax rate for developing countries) applied earlier.

Accordingly, many EU exporters have sought more shrimp sources from Vietnam. By the end of August 2020, Vietnam's shrimp exports reached about US$2.6 billion, up 8% over the same period in 2019. However, the Covid-19 pandemic has exerted a great impact on the importers as well as the EU people's shrimp consumption habits.

Therefore, to attract more EU consumers, Vietnamese seafood products need to be certified with traceability, food safety and hygiene, stated BVSC.

In August 2020, local competent authorities issued over 7,200 sets of EUR.1 certificates of origin (C/O) to eligible Vietnamese products worth US$277 million that would be shipped to 28 EU countries. Goods that have been granted EUR.1 C/O are mainly footwear, seafood, plastic and plastic products, coffee, textiles, bags, suitcases, vegetables, rattan, bamboo, and knitting products, among others.

The EU is the second largest import market in the world, accounting for 14.9% of total global imports, and Vietnam's second largest export market.

The EVFTA, officially signed in June 2019 after six years of negotiations, has been dubbed “the most ambitious” FTA the EU has ever reached with a developing country, according to the EC. It includes not only the almost full elimination of bilateral tariffs, but also a substantial reduction of non-tariff barriers. Moreover, it includes provisions to protect intellectual property, labor, environmental standards, and fair competition, while promoting regulatory coherence.

A pre-Covid-19 study from Vietnam's Ministry of Planning and Investment suggested the EVFTA and EVIPA would help Vietnam's GDP grow an additional 4.6% and boost the country's exports to the EU by 42.7% by 2025.

Meanwhile, the European Commission estimated EU's GDP would be added US$29.5 billion by 2035, along with additional growth of 29% in exports to Vietnam.

6. Viet Nam's GDP revised down to 1.8% in 2020: ADB outlook

In June, ADB forecast Viet Nam may reach an economic growth rate of 4.1 per cent in 2020.

The revision was made after Viet Nam saw new infections in late July, which further threatened the economic outlook, Andrew Jeffries, ADB country director for Viet Nam, said at a press conference.

“Viet Nam is hailed as one of the best performers in the world in containing the COVID-19 spread and it is among the first countries to fully re-open its domestic economy fully,” he said.

“But Viet Nam's economy has not been spared from the COVID-19 crisis. The global economic downturn and weak domestic conditions have hurt the economy more than expected,” Jeffries said.

The revised GDP growth projection for 2020 reflected lower domestic consumption and external demand than the earlier projection, he added.

According to the ADB officer, the growth would bounce back in 2021 if Viet Nam successfully controls the disease.

GDP growth “is expected to revive to 6.3 per cent in 2021, supported by improved domestic consumption, increased disbursement of public investment, expanded trade with the European Union, China and other countries, and the re-allocation of global value chains into Viet Nam,” Jeffries said.

The economic fundamentals remained resilient and the medium- and long-term economic outlook remained positive, he added.

Bilateral and multilateral trade agreements Viet Nam has signed would "improve the opportunities for trade and investment and help the country's economy rebound" while enjoying "the global and regional shift of value chains," he said.

The COVID-19 pandemic clearly had a strong impact on regional economies and Viet Nam was no exception, ADB principal economist Nguyen Minh Cuong said.

"For the first time in 60 years, the economic growth of Asian nations is projected to fall to negative 0.7 per cent this year," he said.

For Viet Nam, the pandemic pulled down the production of all sectors in the first half of the year, he said. For example, the growth of the industrial sector fell to 3 per cent from 10 per cent, and those of the services and agriculture sectors dropped to 1 per cent and 2 per cent from 7 per cent and 4 per cent, respectively.

Public and private spending also dived in the first six months of 2020 compared to the same period of the previous year, Cuong said.

Other impacts of COVID-19 included the increased number of business shutdowns, increased jobless count, lower remittances, and decreased foreign investment, he added.

But increased disbursement of public investment starting in August and rising domestic consumption would be key to Viet Nam's economic rebound in 2021, he said.

Plus, low lending interest rates and inflation would also help stabilise the socio-economic fundamentals, Cuong said.

7. Trade surplus hits record high of US$13.5 billion over eight-month period

Thanks to these positive signs of growth, the total value of the country's import and export goods during the first eight months of the year reached US$336.92 billion, of which the total export value stood at US$175.36 billion, up 2.3%, whilst the overall import value reached US$161.9 billion, a decline of 2.4% in comparison with the same period last year.

The first eight months of the year has therefore seen the trade balance surplus reach close to US$13.5 billion, roughly 2.5 times higher compared to 2019's figure of US$5.47 billion.

Most notably, August saw the group of mobile phones and components led the way in export turnover, whilst also witnessing a sharp increase compared to July, with US$5.35 billion, a boost of 24.8% on-year.

Furthermore, along with phones and components, the reviewed period witnessed five other export commodity groups record turnover of US$1 billion or more, including, computers, electronic products, machinery components, equipment, tools, spare parts, garments and textiles, footwear, along with wood and wood products.

In terms of imports, the largest commodity groups include computers, in addition to electronic products and components, with a turnover of more than US$6 billion, up 7.6% from the previous month. Generally, the first eight months of the year saw this group of goods reach US$38.75 billion, an annual rise of 15.6%, whilst continuing to be the nation's largest import commodity group.

Corporate News

8. FCN: Fecon stops stake sale to Chinese partner

↑ 2.44%

Instead of the Chinese partner, Fecon will continue to look for potential strategic investors for the stocks.

Previously, at the annual shareholders' meeting in June, its shareholders approved the plan to issue 32 million individual shares to strategic investors with the expectation to acquire at least VND480 billion ($20.87 million) at the unit price of VND15,000 (65 US cents).

The purpose of this stake sale is to increase the equity and financial capacity and scale. Notably, the company would contribute VND278 billion ($12.1 million) to four subsidiaries and would add the remaining VND202 billion ($8.8 million) to the group's liquid capital.

According to the initial plan, this stake was to be offered to CHEC, which has similar operations to Fecon. The deal was expected to be completed in the fourth quarter of this year.

However, most recently, Fecon has stopped negotiations with the Chinese partner without disclosing the reason.

Raito Kogyo Group from Japan is a strategic partner of Fecon after buying 19.5 million shares, equal to a 17.13 per cent stake in last April.

The shares were converted from two lots of convertible bonds that Raito Kogyo had bought from Japan South East Asia Growth Fund (JSEAG), a member of the Development Bank of Japan (DBJ).

JSEAG bought the convertible bonds from Fecon in 2016 at a total value of VND500 billion ($21.74 million).

9. HDB: Result of public offering of bond (Phase 1.2020)

↓ -0.17%

Ho Chi Minh City Development Joint Stock Commercial Bank announces the result of public offering of HDB2027_01 bond as follows:

File Attachment

43448_ond-Phase-1.2020.pdf

Research Team: **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

Disclaimer:

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