VIETNAM DAILY NEWS

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Market Analysis

1. VN stocks retreat, selling hits blue chips

Vietnamese shares gave up on a four-day rally on Thursday as large-cap companies were hit by profit taking while regional markets declined on the Fed meeting.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange lost 0.38 per cent to 894.04 points, retreating from a four-day increase of total 0.97 per cent.

The large-cap tracker VN30-Index was down 0.32 per cent to 831.34 points and the VN30 futures due on Thursday slipped 0.43 per cent to 831 points.

The mid-cap and small-cap indices ended almost flat on Thursday.

In the large-cap basket, 21 of the 30 largest stocks by market capitalisation and trading liquidity stepped down while seven were up.

Realty firms Vincom Retail (VRE) and Vingroup (VIC), consumer firm Masan (MSN), petrol company Petrolimex (PLX), and PetroVietnam Power Corp (POW) led the large-cap basket's downturn.

On the other side, steel maker Hoa Phat (HPG), sugar company Thanh Thanh Cong-Bien Hoa (SBT) and SSI Securities (SSI) were among the gainers.

Construction and material sectors still performed well but property, retail, energy, technology and consumer reversed to the negative territory.

On the Ha Noi Stock Exchange, the HNX-Index gained 0.47 per cent to 128.47 points on Thursday.

The northern market index bounced back from a 0.04 per cent drop on Wednesday.

Nearly 457 million shares were traded on the two exchanges, worth VND7.31 trillion (US$313.5 million).

Foreign investors continued net-selling local shares as they offloaded a net value of VND138.7 billion worth of Vietnamese assets, down 31.6 per cent from the previous day.

The domestic market followed a downside across Asian stocks after investors were disappointed at the US central bank Fed for not giving clues about further stimulus packages.

The VN-Index being pushed down from a four-day rally with increasing liquidity proves sellers are becoming stronger, Sai Gon-Ha Noi Securities (SHS) said in its daily report.

"But a positive signal is the market sentiment is not negative, given the VN30 futures ending higher than the large-cap VN30-Index," SHS said.

"It is likely the VN-Index may fall back to 885 points after it has failed to conquer the short-term peak of 900 points in recent days," the brokerage said.

It should be noted that foreign investors would still net-sell local shares, putting heavier pressure on the market, SHS added. — VNS

Macro & Policies

2. European investors eye $984 mln logistics center in Vietnam

They proposed Wednesday to Prime Minister Nguyen Xuan Phuc to invest in Cai Mep Ha Logistics Center to oversee large container ships at the Cai Mep port complex, which in recent years has been one of the fastest-growing ports in the world.

The state-owned Netherlands Development Finance Company (FMO) has committed to financing 10 percent of the project, and the Belgian Corporation for International Investment has planned to play a role in the investment.

Ba Ria–Vung Tau authorities in July approved the 1/2000 project planning scheme that covers 1,763 ha. Construction is planned between 2021 and 2040.

Vietnamese real estate developer Geleximco and logistics firm International Transportation and Trading Jsc (ITC Corp) last year had also proposed to invest in this project.

3. Apartment selling prices on the rise in Hanoi

Dang Anh Tu and his wife, from Hai Phong, were seeking to buy an apartment in Hanoi after 10 years of living in a rental. Having VND1.5 billion, they wanted a 70-square meter apartment in the area not far from their offices and their children's schools.

However, Tu was disappointed after realizing that with that amount of money, he could only find an apartment in Hoai Duc and Dong Anh districts, which are far from the central area.

The apartments in the suburbs are priced at VND25 million per square meter, while apartments in the central districts have higher prices, about VND35 million per square meter.

“Ads say buyers just need to have from VND1 billion to buy an apartment. But when we contacted the distributors, I realized that VND1 billion is the initial amount buyers have to pay, and the payment is made in many stages,” he said.

There are only two options for Tu, either buy an old apartment in the central districts, or buy a new apartment in the suburbs.

“You won't find any apartment priced at around VND1.5 billion in Hanoi,” said Nguyen Van Thanh, a real estate broker.

Thanh said the demand for houses and apartments priced at below VND2 billion is very high. However, the supply is low. With less than VND2 billion, one can only find houses in areas far from the center.

The apartments priced at VND20-25 million per square meter are the targets of middle-income earners. However, such apartments have not been available in the market since 2015.

According to Thanh, the apartments delivered 5-10 years ago can be bought at VND25-30 million per square meter. Some owners offer apartments at reasonable prices, but they are in the suburbs.

Even in the Belt Road No 3 area, known as the area of low-cost housing projects, apartments are sold at VND30 million per square meter, though the price was just VND20 million some years ago.

Meanwhile, at high-end housing projects, the prices are no less than VND40 million per square meter.

Some years ago, the market turned hot with a series of low-cost housing projects developed by Le Thanh Than, a well known realtor.

However, the low-cost market segment cooled quickly. A realtor once announced that he would join the low-cost market with VND700 million apartments, but he ultimately did not invest in the market segment, and changed his mind, investing in higher-end products.

Because of the high demand and low supply, the prices of apartments are escalating. According to Savills Vietnam, the primary average selling price has seen an increase of 7 percent year on year.

4. Some businesses still thrive amid COVID-19

Covid-19 has cast a shadow on the global and Vietnamese economy. However, not all opportunities have disappeared and not all retailers are bogged down in difficulties.

International investors have seen share prices of large retail corporations, including Walmart, Costco, Kroger and Target, increasing.

The common characteristics of the retailers are that they sell essential goods, understand trends well, and provide enough goods to satisfy consumers' needs.

In Vietnam, BRG has opened 10 Hapro Food shops in its BRG Mart chain. The shops are located on the central streets of the capital city, providing essential goods at stable prices, especially the 13 categories of products listed in the Hanoi authorities' price stabilization program.

Bach Hoa Xanh, a brand belonging to The Gioi Di Dong, has opened 90 more sale points, a sharp increase compared with the average 30 new sale points opened in January and February.

With the new shops, the total number of Bach Hoa Xanh shops has increased to 1,158, and with the new shops set in Ca Mau and Dak Lak, Bach Hoa Xanh is now present in 19 cities/provinces in the south, and four in the central region.

The first Ong Bau café, located in district 4, HCM City, opened in February, when the pandemic broke out. However, the coffee chain has been expanding with 100 shops opened so far. The owners of the chain hope that they will open 10,000 shops throughout the country by 2022.

Uniqlo, which now has four shops in Hanoi and HCM City, has announced that it will open two more shops in Hanoi. The Japanese fashion brand has been focusing on offline sales over the last six months in Vietnam.

Meanwhile, Muji has opened its first experience store in HCM City, a step which is believed to pave the way for the Japanese brand to enter the Vietnamese market.

The Ministry of Planning and Investment (MPI) reported that Vietnam attracted $1.1 billion worth of investment capital to the retail industry in the first seven months of the year.

Opportunities

Bach Hoa Xanh reported steady growth. The number of online orders in March increased by 17 percent over February and 1.5 times over January.

The representative of a retail chain said they were 'swimming against the stream' by opening more shops. Retailers can get discount rates of 10-20 percent on rent now.

Analysts are optimistic about the prospects of the retail market in Vietnam, where family spending has increased by 10.5 percent per annum in recent years.

5. Local carmakers allowed to delay excise tax payments

For excise tax from March to June, payments can be postponed for five months. The payment deadline for excise tax in March, April, May and June will be September 20, October 20, November 20 and December 20. The payment deadline for excise tax from July to October will be December 20.

Local carmakers and assemblers' branches that do not produce or assemble cars are not eligible for the policy.

The Ministry of Finance estimated that the late excise tax payments will cause a monthly loss of

VND2.2 trillion to the State budget. However, the State budget for the entire year will not be affected.

The Government had earlier issued a decree cutting registration fees by 50% for domestically produced or assembled cars until the end of this year.

6. Việt Nam ranks second on M&A potential list

According to the latest M&A Investment Index compiled by research firm Euromonitor, Việt Nam's standing had increased from last year.

Việt Nam was listed among a group of countries with positive M&A prospects together with China, the Philippines, Taiwan and Saudi Arabia.

Euromonitor forecast that Việt Nam would retain its position in the top 20 countries with the highest investment M&A index in 2021, surpassing China and Indonesia.

According to the report, Việt Nam was also in the top five markets with the fastest M&A growth performance in the world, behind Singapore, Ireland, the Philippines and Qatar.

The driving force behind M&A deals in Việt Nam and other countries in Southeast Asia was a result of foreign investments shifting from China to avoid the risks posed by the US-China trade war.

At the same as time, due to the COVID-19 pandemic, many Western governments have lowered their interest rates to reduce borrowing costs.

The region's low borrowing costs and depressed asset values would present acquisition opportunities for businesses from the US and Western Europe, said the research firm.

Joao Luiz Paschoal, consulting practice manager for investor services at Euromonitor International, said: "Countries such as India, the Philippines and Việt Nam are forecast to grow rapidly at a total of 26 per cent in industries including interactive media services, distribution networks, and sustainable alternatives in packaged food."

Euromonitor believed the most attractive fields for M&As included construction, distribution networks, manufacturing and public infrastructure. The firm said from 2015-2019, China and the US had been the two most dynamic M&A markets in the world.

However, the report said the global economic landscape was changing because of their trade dispute and reforms made to local economies and politics in Southeast Asia would enable growth in regional investment, making it an attractive destination for M&A activities.

As ASEAN's M&A environment has changed over the past five years, deals have seen a shift in structure and industries, while the number of global M&A deals decreased by more than 20 per cent in the same period.

According to Euromonitor, North America was the most vibrant destination for M&A deals from 2015-2020, followed by Western Europe and Asia-Pacific. The firm also forecast that from 2020-2021, South America would lead M&A growth with 13.7 per cent, followed by Asia Pacific with 8.2 per cent.

The Ministry of Planning and Investment (MPI), reported the total value of M&A transactions reached about US$10 billion in 2018, up 60 per cent over the previous year. Last year, M&A deals reached $15.6 billion in value, an increase of 54 per cent from 2018.

The MPI's data showed the two industries with the strongest M&A activities in 2018 and 2019 were consumer goods production and real estate. Other key industries included consumer finance, retail, fisheries, logistics and education.

The ministry also said investors from Korea, Japan and Singapore played a very important role in the country's M&A market in 2018 and 2019 with an impressive volume of transactions completed.

The European Business Association in Việt Nam recently forecast that M&As would continue to grow strongly in 2020 as foreign investors sought entry into the local market, adding that Việt Nam should also take full advantage of the benefits provided by free trade agreements, including the EU-Việt Nam Free Trade Agreement (EVFTA).

Nguyễn Mại, chairman of the Association of Foreign Investment Enterprises, told Việt Nam News: "There is no way to stop the wave of M&As, even during the COVID-19 pandemic, because businesses are facing difficulties and need to call for investment from external sources to rescue themselves."

"The M&A phenomenon will become stronger and stronger, especially while Việt Nam is still in the process of equitisation," Mai added.

Euromonitor International's Financial and Investment Services practice developed the M&A Investment Index, reflecting the expected level of investment, activity and attractiveness of the global M&A market amid macroeconomic and financial shocks. The model covers a total of 314,002 M&A deals from 50 countries and over 150 industries worldwide between 2015 and 2020.

7. COVID-19 woes: Footwear exports likely to fall short of target

According to data from the General Department of Customs, exports in the first eight months were worth $10.8 billion, a 9.46 per cent fall year-on-year, as the two largest markets, the US and the EU, cut their orders.

Other top importers such as China and Japan also reduced orders.

The top buyer of Vietnamese footwear, the US bought $3.43 billion worth, or 8.58 per cent less year-on-year, in the first seven months, the latest period for which the customs has figures for individual countries.

The EU's imports were down 32.5 per cent to $2.21 billion as the two biggest individual markets, Belgium and Germany, cut orders by 17.3 per cent and 10.4 per cent.

Imports by China were down more than 19 per cent to $1.14 billion.

Japan's imports decreased by 2.1 per cent to $551.74 million.

Tran Quang Vinh, chairman of the Phuc Yen Shoes Joint Stock Company, said import of feedstock had resumed, but, without buyers, production has dropped by 40-50 per cent.

Most of the production is targeted at export markets, and so it is difficult to sell in the domestic market due to high prices, he said.

Diep Thanh Kiet, deputy chairman of the Viet Nam Leather, Footwear and Handbag Association (Lefaso), said the footwear and handbag industry has the capacity to produce over 1.1 billion pairs of shoes and nearly 400 million backpacks and handbags.

"The domestic market cannot absorb this number."

The ministry forecast that the industry would continue to face difficulties until the end of the year, and relief depends on the US and EU's ability to control the pandemic.

It should improve its supply chain performance to take advantage of the milestone Viet Nam - EU Free Trade Agreement, Kiet said.

The deal took effect on August 1.

The pandemic remains unpredictable, but if enterprises work hard to find partners and improve their competitiveness, they still have excellent prospects, experts said.

Businesses and experts said trade promotion activities and support from authorities should both be enhanced.

Last year exports were worth nearly $19 billion, with sports shoes accounting for a large share.

Corporate News

8. KDH: Dragon Capital fund sells 5 million shares of Khang Dien House

↓ -1.23%

After the transaction, Dragon Capital's largest fund owns more than 9 million shares of KDH, equivalent to a rate of 1.62 per cent.

KDH sold the shares at a price of VND23,850 per share, equivalent to a value of VND119.25 billion (US$5.1 million).

The company is the sixth-largest investment in VEIL's portfolio. In the first half of this year, KDH recorded net revenue of VND1.49 trillion, an increase of 19 per cent year-on-year. Post-tax profit reached VND408 billion, up by 90 per cent in the same period last year and 37 per cent of the yearly plan.

The company recently announced that it will establish three subsidiaries with a total charter capital of VND220 billion.

The new units are Phu Hai Real Estate Development Company Limited, with VND100 billion of capital, Nguyen Phat Real Estate Investment Company Limited, with VND20 billion of capital and Nam Thong Real Estate Development Company Limited, with VND100 billion of capital.

A group of investment funds run by Dragon Capital now holds a total of 89 million shares of KDH, equivalent to 15.93 per cent. With the current market price of VND24,500 per share, the market value of the shares totals nearly VND2.2 trillion.

9. HPG: Steelmaker Hoa Phat increases market share to 32 pct.

↑ 2.83%

Steelmaker Hoa Phat Group posted strong growth in the first eight months of this year, raising its market share to 32 percent as of late August.

The group produced 3.2 million tonnes of steel in the January-August period, including over 2.1 million tonnes of finished products, a year-on-year increase of 18.3 percent.

The result was attributable to stable production at the Hoa Phat Dung Quat steel and iron production complex in the central province of Quang Ngai since 2018.

In 2017, a year after the completion of Phase 3 of the Hoa Phat Hai Duong steel and iron production complex, the steelmaker's market share rose to 22.2 percent, becoming the largest supplier for the first time.

Investment in the Dung Quat complex totalled 60 trillion VND (2.58 billion USD), with a designed capacity of some 5 million tonnes per year.

Sales of members of the Vietnam Steel Association (VSA) have reached 6.6 million tonnes since the beginning of the year, a year-on-year decline of 5.8 percent, according to the association.

Of this, 906,000 tonnes of steel were exported, down 5.9 percent compared to the same period last year.

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