



VIETNAM DAILY NEWS

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Market Analysis

1. Shares correct as selling pressure hits large-caps

Shares suffered a strong correction on Monday on the two stock exchanges as selling pressure hit many large-caps.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 1.6 per cent to 950.79 points.

The southern market index ended last week at 966.29 points. It was the benchmark's highest level since January 22 when it reached 991.46 points.

Nearly 519 million shares were traded on the southern exchange on Monday, worth VND10.2 trillion (US\$441.6 million).

BIDV Securities Co said the VN-Index was still in an upward movement at the beginning of the morning session but the selling pressure increased gradually and peaked at the end of the afternoon so the index moved down to close to 950 points.

Declining stocks dominated the southern bourse, outnumbering gainers by 305 to 146, which proved that investor confidence was low in the session.

The VN30 Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, lost 1.64 per cent to end Monday at 915.97 points.

Large-cap stocks performed poorly due to the strong selling pressure, such as Masan Group

(MSN), decreasing by 6.9 per cent, Vingroup (VIC), down 5 per cent, HDBank (HDB), dropping by 2.5 per cent, Phu Nhuan Jewelry (PNJ), slumping by 2.3 per cent, Vinhomes (VHM), decreasing by 2.2 per cent, Sabeco (SAB), losing by 1.7 per cent.

Across the stock market, 22 out of 25 sectors indices lost ground, including energy, banking, seafood processing, construction materials, plastics and chemical production, wholesale, insurance, securities, retail, healthcare, information and technology, food and beverage, real estate and construction.

Their indices declined between 0.5 per cent and 4.2 per cent, according to data of vietstock.vn.

According to BIDV Securities Co, the 940-950 point range is a good support area, so the selling pressure may decrease in the next sessions.

On the Ha Noi Stock Exchange, the HNX-Index declined 0.95 per cent to 143.36 points.

Nearly 61 million shares were traded on the northern exchange, worth VND895 billion.

Foreigners net sold VND402.93 billion on HOSE. They were net sellers on the HNX with a value of VND3.65 billion.

Macro & Policies

2. Hanoi Promotion Month 2020 to boost year-end domestic consumption

With steep discounts of up to 70% for hundreds of thousands of products, the Hanoi Promotion Month 2020 is expected to boost domestic consumption in the post-Covid-19 period.

Hanoi's Department of Industry and Trade initially expected 2,000 enterprises would join the event in November, however, around 3,000 have so far registered to take part in the Promotion Month, stated the department's Vice Director Tran Thi Phuong Lan.

Pham Hoang Hanh, manager of Pham Van Dong Media Mart, noted that in response to the Hanoi Promotion Month, Media Mart is offering discounts from 30% to 50% for electronic products.

Nguyen Quang Duc, marketing manager of Pico Mart, informed that Pico Mart is cooperating with suppliers to provide promotions for a variety of home appliances. Notably, as part of the initiative to promote non-cash payment, in addition to existing discounts from 25 – 50%, Pico Mart is offering an additional 5% discount for customers making their payment via the e-wallet VNPay, or 10% via bank BIDV's online banking method.

As retailers offer multiple discount programs, revenues from retail sales are estimated to increase by 15 – 30% year-on-year. Regional Director of Central Group Le Manh Phong said the number of customers shopping at Big C supermarkets during the promotional month went up from 20 – 30% compared to normal days.

In the first ten months of 2020, revenues from retail sales expanded by 9.7% year-on-year. The municipal Department of Industry and Trade targets the figure to grow 10.5% this year.

Prevent sale of low quality and fake products in Promotion Month

Despite positive response from local customers towards promotional activities, there are concerns about counterfeit or low-quality products. Meanwhile, there is possibility that enterprises could take advantage of the Hanoi Promotion Month to sell nearly expired products.

Regarding this issue, Ms. Lan said the Department of Industry and Trade requested all enterprises participating in the event to register types of products subject to discounts. Specifically, all products are required to have clear origin and detailed price information before and after the discount.

The department would instruct market surveillance authorities to tighten supervision during the Hanoi Promotion Month to ensure the quality, origin and food safety standard, noted Ms. Lan.

Head of Hanoi's Department of Market Surveillance Chu Xuan Kien said all 33 market surveillance teams are responsible for monitoring the circulation of goods and products in the city. The authorities would issue strict penalties for those selling fake or smuggled goods to protect customers' rights, he stated.

3. October auto sales top pre-pandemic figures

Of these, 76 percent were passenger cars, 22.6 percent were commercial vehicles and the rest were special-purpose vehicles, according to a report released by the Vietnam Automobile Manufacturers Association (VAMA).

October auto sales was the highest monthly figure so far this year, the report said. It nearly tripled those of April when dealers had to shut down for the

nationwide three-week social distancing campaign imposed to curb the spread of the novel coronavirus.

Total auto sales for the first 10 months, however, was down 18 percent year-on-year to 212,409 units.

Local brand Truong Hai Auto (Thaco) retained the top spot for the first 10 months with a 34.8 percent

market share, with sales falling 5 percent to 71,144 units.

It was followed by Toyota with 49,950 units and Mitsubishi with 20,354 units, both representing double-digit declines.

Honda and Ford rounded off the top five auto sales list.

As demand began to recover, the major auto brands have cut or reduced the discounts they had offered almost throughout the year to pump up sales.

Dealers say the discount cuts also come as the year-end approaches. A 50 percent registration fee cut that the government has given as a crisis-mitigation measure will be discontinued at the end of the year.

Auto sales had risen 11.7 percent to 322,322 units last year.

4. Construction of Long Thanh Airport to begin next month

Lai Xuan Thanh, chairman of the corporation which has been assigned to be the project's main developer, told VnExpress that it will pour over VND99 trillion (\$4.28 billion), or 91 percent of total capital needed, into the first phase of the airport.

The money will be sourced from its current cash reserves of over VND29 trillion, with an addition sum of VND6.9 trillion in the 2020-2025 period, and the rest from commercial loans and bonds.

The corporation has signed memoranda of understanding valued at over VND143 trillion with 12 organizations for funding the project, which exceeds the amount needed.

With sufficient capital in hand, and the fact that Dong Nai Province, where the airport will be built, has handed over 1,800 hectares of land needed for the first phase, the ACV is making a detailed 60-month construction plan.

Thanh also assured that while building Long Thanh, the ACV, which manages 22 airports nationwide, will maintain funding for other key aviation projects

including construction of the third terminal at the Tan Son Nhat International Airport in Ho Chi Minh City and expansion of the international terminal at Hanoi's Noi Bai International Airport.

The government last week approved construction of the \$4.6 billion first phase of the Long Thanh International Airport.

The first phase will have one 4-kilometer long runway with a width of 75 meters and a system of taxiways and apron, and a 373,000-square-meter passenger terminal designed to serve 25 million passengers and 1.2 million tons of cargo per year.

This will be the first of three phases of the airport that is expected to be completed by 2040. By then, it will have four runways, four passenger terminals and auxiliaries to accommodate 100 million passengers and 5 million tons of cargo every year.

Lying 40 kilometers east of HCMC, the airport is expected to take up the overflow from the Tan Son Nhat International Airport, which is the largest existing airport in the country.

5. Logistics costs challenge farm produce export

One of the “culprits” behind the high logistics fees is the imbalance in means of transport and the lack of connection among transport types.

Railway, air transport receives lackluster responses

The Vietnamese Ministry of Transport recently held a teleconference meant to link farm produce exporters with railway and aviation companies to work out effective and affordable farm produce transport solutions.

A survey of the ministry over logistics enterprises indicates that farm produce transport by land still makes up an overwhelming proportion, followed by maritime shipping services. Meanwhile, the number of exporters making use of railway and air services remains insignificant.

Nguyen Chinh Nam, head of planning and business department of the Vietnam Railway Corporation, said cargo transport by train costs are lower than other types. For instance, enterprises are charged VND396,000 for one ton of cassava powder transported from Tuy Hoa in Phu Yen Province to Dong Dang in Lang Son Province. However, they will have to pay VND400,000 per ton if they choose a trip combining road and maritime services and up to VND1 million for road service only.

In addition, the railway sector has developed an international network with links to China, Mongolia, Russia and Europe. For service quality, railway transport enterprises have provided freezer containers which are self-operational, traceable and controllable from a distance, and official export-import procedures at border gates and warehouses. Railway transport companies have also slashed freight charges amid the Covid-19 pandemic, Nam said.

The question then is why enterprises are still reluctant to use railway transport services.

Nguyen Dinh Tung, general director of Vina T&T Company, who used to explore transport services to send agricultural products to China, said railway transport may affect goods quality, especially fruits, as trains must go through many transit spots. For instance, his company must send their shipments by road from the southern province of Long An to Song Than Station in Binh Duong Province, before they are transferred to a train to Dong Dang Station en route to China. Meanwhile, things would be much less complicated if Tung elects to make a direct trip on container trucks from Long An to the border gate with China.

“In case of fruits, although trains may cost less but our shipments may be prone to be damaged, which means huge losses,” said Tung. “Therefore, we still prefer road transport.”

Despite fast delivery and little chances of damages to shipments, exporters may not prioritize air cargoes due to high fares. Further, freighter flight services

have yet to be offered while most international passenger flights have been stalled due to the ongoing pandemic. Citing dragon fruit export as an example, Do Xuan Quang, deputy general director of low-cost carrier Vietjet, said a kilo of dragon fruit costs only around US\$3, but its transport fee is up to US\$6-7. Consequently, exporters may fail to compete with other rivals with the transport bill taken into account.

Statistics show that foreign airlines dominate nearly 90% of Vietnam's international cargo transport market while local carriers only carry shipments along with passengers. Therefore, air goods transport heavily depends on foreign carriers. This is why local exporters have no choices if the latter lift service prices.

In need of measures to have competitive prices

Enterprises exporting farm produce to China have said they cannot understand why logistics services provided by Vietnamese firms are always costlier than those of foreign firms. According to Hoang Van Hoan, managing director of TMS Trading JSC, among the 400 logistics firms that used to partner with his company, none of them accepted to provide transport services when asked, although their truck fleets remained idle during the epidemic outbreak. “The paradox is that Vietnamese logistics firms always offer higher service fees than Chinese enterprises do,” Hoan said.

According to information obtained by Hoan, the Chinese government has given subsidy to the transport sector, enabling Chinese exporters of agricultural products to offer lower prices. Therefore, Hoan argued, Vietnam should consider policies on cutting logistics services to improve Vietnamese farm produce exporters' competitiveness.

In the air transport segment, Do Xuan Quang, deputy general director of Vietjet, stressed the need to develop freighter fleets, especially for agricultural exports, to help cut transport costs. To meet this goal, since the end of the third quarter, Vietjet has launched four cargo aircraft into operation to serve the local market and Southeast Asian destinations. Vietjet is working with partners in the United States to launch a direct freight route to the market, aside from expanding service to the Middle East and Europe.

Even if Vietnamese carriers are able to form their own cargo fleets, the Government should give more incentives to help lower the prices of farm produce exports, Quang added.

Meanwhile, Nguyen Manh Hung, vice chairman of the Vietnam Digital Agriculture Association, pointed

the finger to the lack of a common voice between agricultural and logistics enterprises. Instead of waiting for incentives from the Government, the two sides should cooperate in optimizing their benefits. As the pandemic is expected to still linger, the cooperation between enterprises must be strengthened to reduce logistics fees and product prices in the coming time.

6. Reasons why Vietnam remains world's 4 best performing stock markets

A number of reasons led to the fact that Vietnam remained fourth among the world's best 10 performing stock markets over the last three months, according to Tran Van Dung, Chairman of the State Securities Commission of Vietnam (SSC), the country's stock market watchdog.

Statistics from the IndexQ website revealed Vietnam's benchmark VN-Index rose by 11.7% as of November 6, an improvement which is thanks to Vietnam's effective measures against the pandemic and the bright economic recovery prospect, according to Mr. Dung.

In the first 10 months of 2020, the average transaction value stood at VND6.33 trillion (US\$274 million) per session, up 36% against 2019, while the figure on the bond market was estimated at VND9.86 trillion (US\$426.82 million), up 7.1%.

It is worth mentioning that by the end of the first quarter, the VN-Index plunged by nearly 33% against the figure of the late of 2019, but since then, the stock market has been on a steady recovery path, Mr. Dung told Thoi Bao Tai Chinh in an interview.

For the first three quarters of 2020, Vietnam's economic performance remains a spotlight of the region, with its trade surplus at a record high of US\$17 billion and inflation under control.

Moreover, international organizations, including the World Bank or the Asian Development Bank (ADB), also provide positive assessments of Vietnam's economic outlook with GDP growth forecast in a range of 1.6 – 3% for this year.

On the other hand, the government is pushing for greater disbursement of public funds, especially in

large scale projects of high spillover effects to socio-economic development in provinces and cities.

Mr. Dung added that many local enterprises are having huge potential for development in case they could fully take advantage of the current shift of global investment capital, as well as of Vietnam's new trade agreements such as the EU – Vietnam Free Trade Agreement (EVFTA).

Looking back at the performance of public firms in the first nine months of 2020, Mr. Dung said around 86% of those in the stock market recorded profit during the period, albeit at a slight decrease compared to the same period of last year.

Meanwhile, as Kuwait was upgraded to the Emerging Market status, Vietnam is set to benefit the most from the reclassification of the MSCI Frontier Markets Index in this November, which is a major factor attracting capital inflows from funds monitoring the Index into Vietnam's stock market, said Mr. Dung.

A recent study from Viet Dragon Securities Company (VDSC) suggested Vietnam could see a weight increase of 13 percentage points in the Frontier Markets Index to become the most important market in this index.

For the time being, foreign investors continue to be net sellers in the market, but the amount has significantly narrowed compared to the first Covid-19 outbreak in the country, noted Mr. Dung.

Other investment channels, such as savings and gold, are becoming less attractive in the eyes of investors, due to banks lowering interest rates and stagnation in the uptrend of gold prices, which are

also factors that lead to more money being pumped into the stock market, he continued.

Mr. Dung also attributed the recovery of major world's economies such as the US, China, or Europe in the third quarter to a positive performance of Vietnam's stock market.

Steps to ensure sustainable development of Vietnam's stock market

Amid the complicated progression of Covid-19 and uncertainties surrounding the global economy, Mr. Dung noted the SSC aims to enhance the market's resilience against external shocks.

The SSC would continue to improve the legal framework and policies for the development of the stock market, including detailed instruction on the implementation of the 2019 Securities Law, and the establishment of the long-planned Vietnam Stock Exchange from the merging of the Hanoi and Ho Chi Minh City stock exchanges.

Mr. Dung also added the authority would accelerate the realization of the project aimed at restructuring the stock and insurance markets until 2020, with vision to 2025, with the aim of ensuring the balance between the monetary and capital markets, bond and stock markets, government and corporate bond markets.

In parallel with these efforts, the SSC is determined to streamline administrative procedures to support enterprises, while maintaining discipline and order in the stock market for sustainable development.

Under Prime Minister Nguyen Xuan Phuc's instruction, it is the priority for Vietnam's stock market to be soon upgraded from its Frontier Market status to Emerging Market, which could be done by meeting criteria set by MSCI and FTSE.

Another priority that the SSC is looking at is to digitalize financial assets on the stock market and apply new financial technologies, standardize e-contract registration or adopt remote verification process, namely e-KYC (electronic Know-Your Customers).

7. What can Vietnam gain from world's largest trade pact, RCEP?

"Amid the disruption to the global supply chains caused by the Covid-19 pandemic and rising protectionism, the signing of the Regional Comprehensive Economic Partnership (RCEP) marks an important milestone for its member countries in economic integration," Minister of Industry and Trade Tran Tuan Anh said after the trade pact was signed online on Sunday by countries who account for around 29 percent of the world's GDP.

Tran Kim Nga, director of corporate development at Thai-owned MM Mega Market Vietnam retail chain, said Vietnam could be one of the countries to benefit the most from the RCEP since most of the other members have demand for its main exports like agricultural and fisheries products.

"The pact's not too stringent import standards and similarities in consumer preferences in member countries will make trading more easy."

Nguyen Thi Thu Trang of the Vietnam Chamber of Commerce and Industry said countries that Vietnam sources much its production inputs from, like China and South Korea, were not members of earlier trade pacts, and therefore products made by Vietnamese companies using them did not qualify for preferential tariffs.

Having these two countries and others like them in the RCEP now makes it "easier than ever" for Vietnamese firms to enjoy preferential tariffs, she said.

But it is not as if there are no challenges for Vietnam. Trade officials have said that the similarities in export items of many member countries would increase competition since Vietnamese products' added-value remains small.

Besides, it will be the first trade pact between certain countries such as China and Japan. Trang explained that Vietnam's exports to Japan have been

benefiting from three earlier trade pacts, but would now face competition from Chinese good.

Even at home, Vietnamese companies would have to compete with imports, especially from China with its range of goods and competitive prices, she said.

Nga said products from South Korea, Japan and Thailand like cookies and candies, noodles, milk, cereals, and frozen foods would also attract Vietnamese consumers thanks to their eye-catching packaging, high quality and reasonable prices.

"The growing number of young Vietnamese consumers demanding quality products and willing

to try new products will increase demand for foreign goods in the near future."

The RCEP, which had been negotiated since 2013, was signed by 15 countries including the 10 ASEAN members and Australia, China, Japan, New Zealand, and South Korea.

It will give Vietnamese businesses access to another third of the world's population.

The agreement will take effect when at least six ASEAN members and three others send in their ratification documents.

Corporate News

8. PC1: Stock issuance to pay dividend

↓ -1.80%

On November 12, 2020, Power Construction Joint Stock Company announces the stock issuance to pay dividend as follows:

- Stock name: Power Construction Joint Stock Company
- Stock code: PC1
- Stock type: common share
- Par value: 10,000 dongs
- Number of shares issued: 159,323,929 shares
- Number of outstanding shares: 159,323,497 shares

- Number of treasury shares: 432 shares
- Number of shares expected to be issued: 31,864,699 shares
- Total value (based on par value): 318,646,990,000 dongs
- Issuing ratio: 20%
- Record date: December 02, 2020
- Plan to deal with fractional shares: The distributed shares will be rounded down to dozen, the fractional shares due to rounding down will be cancelled.

9. VIC: Vingroup to launch two industrial parks in 2021

↓ -5.03%

This was published by Savills Vietnam at a conference related to Vietnamese industrial parks (IPs) organised in Hanoi on November 12.

According to the Savills report, the two IPs of Vingroup located in Haiphong include the 200-hectare Nam Trang Cat IP and the 319ha Thu Nguyen IP. Both of them are developed by Vinhomes Industrial Zone Investment (Vinhomes IZ).

Previously, Vingroup announced plans to pour over \$400 million into industrial real estate, hoping to gain from the shifting of production from China.

The group requested permission from authorities to spend over VND4.1 trillion (\$178.3 million) developing infrastructure at the Thu Nguyen IP planned in the suburbs of Haiphong.

In June, Vinhomes JSC released information that it acquired part of the shares owned by Vingroup in Vinhomes IZ to become its parent company.

At the same time, Vingroup issued information that the charter capital of Vinhomes IZ from VND70 billion (\$3 million) to VND6 trillion (\$260.87 million).

The move marks Vingroup's entry into the IP real estate sector and follows a plan based on Vietnam's economic stability as well as increasing foreign direct investment and a growing manufacturing sector.

In addition, Vinhomes entering the development of IP also contributes to creating favourable conditions for the world's leading auxiliary equipment providers to establish their first manufacturing facilities in Vietnam and then build out an ecosystem for domestic automobile manufacturing, aligning with Vingroup's overall target of developing the industrial sector.

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