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Highlight

Who are the buyers in M&A deals?

Foreign enterprises were believed to be the only investors financially capable enough to take over businesses in merger and acquisition (M&A) deals. However, experts believe that Vietnamese businesses have become powerful enough to become the buyers in the deals.

In most of the M&A cases taking place in the last five years, the buyers were foreign investors. Unicharm, for example, bought Diana, Jolibeer bought Highlands café, Carlsberg bought Hue brewery, Fortis bought Hoan My stakes.

The history of the merger and acquisition deals has witnessed the "perdition" of many Vietnamese well-known brands, after the companies were bought by the foreign investors. Worries have been raised that more and more Vietnamese brands would fall into the hands of foreign giants.

However, analysts have noted that a lot of Vietnamese businesses have become powerful enough to become the buyers in the M&A deals, which raise a high hope that Vietnamese brands would be preserved and developed.

There is a growing tendency that Vietnamese businesses with strong financial capability and good corporate governance want to buy other businesses in order to upgrade their capability and improve the competitiveness.

The Hung Vuong Seafood Company, for example, has bought a series of enterprises in the same business fields, such as Viet Thang, An Giang Fish, Sao Ta Food and Ben Tre Seafood.

The Ben Tre seafood company, which incurred loss for two consecutive years, was bought by Hung Vuong which aims to turn Ben Tre a material supplier.

The most redoubtable rival of Hung Vuong is CP Vietnam, invested by CP, one of the most powerful economic groups in Thailand.

Another big guy, BTA, also reportedly bought the stakes of many domestic construction companies such as Beton 6, Descon, Coteccons, in order to improve their strength in the competition with international groups like Gammon, or Kumho E&C.

Before it was merged into BTA, Beton 6 met a lot of big difficulties in the corporate governance. Similarly, Coteccons was in the development stage that it needed more power to compete with international construction bidders.

Masan Consumer, belonging to Masan Group has bought a series of companies in the food and foodstuff sector, including Vinacafe and Proconco, Vinh Hao to become the redoubtable rivals to the big names like Unilever, Nestle or CP. With the strong determination for M&A, Masan is believed to pay higher prices to attain domestic potential businesses from the hands of foreign investors.

Vinh Hao, a well-known mineral water brand for the last 80 years, has been sold to Masan Consumer at VND85,000 per share, which now holds 24.9 percent of the stakes of Vinh Hao. The noteworthy thing in the deal was that Masan Consumer paid VND85,000 per share, while the market price was VND25,000.

Economists said M&A proves to be a strong driving force for the next stage of the economic development in Vietnam, which began in 2011. They have commented that it is now the time when domestic private enterprises to join forces to increase the business scale and improve the competitiveness, or they would fall into the hands of foreign sharks.

The economists also believe that in the current economic period, Vietnamese powerful groups now can hold the heavy responsibility of preserving Vietnamese brands and not let the brands disappear or fall into the hands of foreigners.

Source: VietNamNet

Vietnam's total retail sales and services increase 10.9pct in Jan-Feb: GSO

As per the newly released report from general Statistical Office (GSO), Vietnam's total retail sales and services during the first two months of 2013 were estimated to have reached 422.2 trillion dong, rising 10.9 percent from the same period last year.

Notably, if excluding the price factor, the total retail sales and services in Jan-February increased 3.6 percent on year.

Citing the GSO's data from the previous month, the total retail sales and services in January were estimated at 209.5 trillion dong. Thus, in February, the total retail sales and services were estimated to have reached 212.7 trillion dong, up slightly 1.5 percent month on month.

The report also said that in the total retail sales and services in Jan-Feb, trade accounted for the biggest proportion to 77.7 percent to hit 328.2 trillion dong and up 10.4 percent on year.

The revenue from hotel and restaurant reached 48.8 trillion dong, accounting for 11.6 percent and up 13 percent, services reached 41.7 trillion dong, accounting for 9.9 percent and up 14.5 percent and tourism reached 3.5 trillion dong, making up 0.8 percent and down 4.4 percent on year.

Source: Intellasia | GSO

State budget down 1.9 pct in two months

State budget revenue dropped by 1.9 percent in the first two months of the year to 114.8 trillion VND (5.52 billion USD), accounting for 14.1 percent of the year's estimated total.

According to the Ministry of Finance, the decrease was mainly due to weak domestic revenue, which totalled 80 trillion VND (3.85 billion USD), equivalent to 14.7 percent of the target for the full year and 1.5 percent less than what was collected in the same period last year.

Domestic business and production were still struggling, inventories continued to be high and consumption of goods and services was still slow.

The extension of the deadline to pay value added tax (VAT) from last June to the upcoming April also affected domestic revenue.

In the first two months of the year, only 27 out of 63 provinces and cities saw collections for the state reach the estimated total of 16 percent, while 11 localities – including the economic hubs of Hanoi and HCM City- saw fewer contributions than predicted.

Collection from export-import activities reached 27.92 trillion VND (1.34 billion USD), equal to 11.8 percent of the year's estimate and a decrease of 3.1 percent year-on-year, as export-import turnover of many commodities with high import tax rates saw a sharp decline.

Turnover of crude oil, automobiles and motorbikes fell by 40 percent, 69 percent and 70 percent respectively.

However, crude oil continued to be a significant source of State budget revenue, accounting for 16.98 trillion VND (816 million USD), or 17.2 percent of the year's target, thanks to a 25 USD per barrel increase in the world crude oil price to an average price of 115 USD per barrel.

The issuance of government bonds raised over 43.8 trillion VND (2.1 billion USD), equal to 22.4

percent of the annual target – making up for state budget deficits.

The Ministry also noted that in general, State budget spending in the last two months has corresponded roughly to estimates.

Money from the budget has gone towards ensuring social security, helping localities overcome the consequences of natural disasters, price stabilisation and providing 29,000 tonnes of rice to the poor during Tet.

In the first two months, the State budget's overspending was estimated at 23.035 trillion VND (1.1 billion USD), or 14.2 percent of the year's target.

Source: Intellasia | VNA

Vietnam to be in world's top 3 in export growth

Vietnam, together with India and China, is expected to record the strongest export growth at a double-digit level annually throughout the period 2013-2020, according to the latest HSBC Global Connections report.

China is likely to remain Brazil's largest export market while the country's fastest growing export partners would be India and Vietnam, the report said.

As China shifts its focus towards higher value-added sectors, this will create opportunities for economies with low-cost labour such as Vietnam and Bangladesh.

Advanced economies currently conduct the majority of their trade with other developed economies, but they will see a growing share of their exports directed to the emerging market.

Source: VNA

Economy

Opportunities, challenges of Vietnam's economy in 2013

A conference highlighting the opportunities and challenges for the Vietnamese economy in 2013 was held in Ho Chi Minh City on March 1, attracting the participation of numerous businesses and economists.

The event, organised by the Vietnam Economic Times, aimed to share information and experience among businesses, and find out ways to promote their activities in the future.

Tran Thanh Hai, Deputy Head of the Import-Export Department under the Ministry of Industry and Trade, focused on measures to promote exports. He proposed that the Government should continue to deal with stagnant State-owned enterprises (SOEs) by solving inventory issues, supporting the market, applying tax reduction policies and encouraging domestic consumption.

It is necessary to develop the infrastructure system and intensify human resource training, he suggested.

According to Deepart Misha, Chief Economist of the World Bank in Vietnam, risks facing the Vietnamese economy include a high inflation rate, low currency reserve, slack financial and currency policies, and poor asset quality of credit organisations.

Vietnam should step up the restructuring of the financial sector and have specific mechanism to solve bad debt, strengthen the banking system, increase risk management and the control and supervision framework in the future, he added.

Besides, the restructuring of SOEs should be implemented in a promt and comprehensive way, he said.

According to Dr. Tran Du Lich, member of the National Assembly's Economic Commission, the

Vietnamese economy can recover in 2013 if synchronous and consistent measures included in the Government's resolutions No. 1 and No. 2 issued on January 7 are implemented effectively.

He said the most important issue of the macro-economic policy is to regain and reinforce trust in the market.

The restructure of the market in 2013 and 2014, especially in the labour market, will be a chance for Vietnam to develop its human resources, he added.

Lich concluded that the Vietnamese economy will do better in 2013 than last year. Despite a mixture of opportunities and challenges it is a good time for businesses to restructure and develop in a sustainable way, therefore making a healthier market.

Source: VNA

HSBC: Vietnam to achieve 5.5 pct GDP growth in 2013

The Hongkong and Sanghai Banking Corporation (HSBC) on March 4 released its report on the Vietnam's macro economy, which asserts that after a tough 2012, the economy has started off on a better foundation and Vietnam is expected to achieve a 5.5 percent expansion of GDP in 2013.

The report spoke of the Prime Minister's approval of the Master Plan on Economic Restructuring in 2013-2020 which shows a reform mind-set. It said a commitment to price stability over growth is considered positive and should be maintained, but concrete steps to increase efficiency of the economy are still needed.

The deleveraging process continues to weaken demand, it said, adding that the Purchasing Managers Index declined, but inflation slowed and the trade account was in surplus in February.

According to the report, while concrete actions to improve the efficiency and accountability of the state sector are missing, what's commendable is the willingness to gradually wean off the state-owned enterprises (SOEs).

HSBC's economists held that the approval of the 2013-2020 master plan, which focuses on restructuring public investment, credit organisations and SOEs, is considered positive in that the governemnt acknowledges the fundamental challenges facing the economy. However, they said, as in the cases of other reforms promised in 2012, it lacks details about implementation.

Meanwhile, HSBC experts believed that Vietnam is indeed making steady progress in building the foundations for more reform, taking the restrained support for inefficient enterprises in recent years as one example, and the stability of inflation and key economic indicators such as the trade balance and the foreign reserves as another.

As such, when it comes to monitoring the country's progress, evidence of achievement and commitment is more important than promises, they said.

Source: VNA

Banking & Finance

Reduction in bad debts a good sign

In the meeting of "Vietnamese economy 2013: opportunities and challenges" on 1st March, Dr Le Tham Duong, head of Business Administration department, Banking University Hochiminh city, said that bad debt rate of 8 percent late last year reducing to 6 percent showed a good sign.

However, the quality of bad debt, like the quality of collateral, the danger of bad debt, etc. were the main trouble. And potential bad debts were the most dangerous, said Duong.

Potential bad debts lay in banks which had bad health, thus having weak credit outstanding. On the other hand, banks depended so much on collateral while they were not salable goods.

Besides, banks using short term deposit for long term loans also increased bad debt threats. More than that, risks also lay in the low qualification and skill of banking employees.

Dr Tran Du Lich, member of the Economic Committee of National Assembly cited the troublesome factors of real estate collaterals were that their prices now were only 50 percent prices of mortgaged time. Not to mention that it would take banks at least 3 years if they wanted to put these properties up for auction.

However, Lich showed an expectation in government's bad debt handling solutions. Together with the banking restructuring target, Lich expected that the bad debt problem would be solved by 2015.

According to Duong, another trouble was an unstable financial market caused pressure of capital supplying for banks. Target for 2013 credit growth was 12 percent, but to avoid bad debt, banks had to increase loan standards, thus limit accessibility to capital of enterprises.

Source: Intellasia | ThanhNien

JPMorgan forecasts Vietnam may cut interest rates by 2pct

As forecasted by JPMorgan Chase Bank, the State Bank of Vietnam (SBV) may cut the interest rates strongly by 2 percent. However, the cuts will not be carried out together.

JPMorgan Chase has released its updated economic report of the emerging economies in the Asia-Pacific region, including Vietnam.

According to JPMorgan Chase, after years of economic uncertainty, the prudent policies have helped Vietnam return to stability in 2012. This steady state is expected to be further extended in 2013 if Vietnam can achieve one-digit inflation target, enjoy a trade surplus for the second consecutive year, credit growth at about 10 percent and GDP growth around the threshold of 5 percent.

JPMorgan Chase said Vietnam's inflation in 2013 will still remain at one-digit threshold, but it will be at a rather high level. This will hinder the central bank in cutting down the key rates strongly.

A balance sheet of the banking system will continue to remain weak. Although the government is showing its strong determination in reforming the system by setting up an Asset Management Company (AMC), the process is rather slow. Therefore, the company will likely not be able to take effect this year.

Since most loans are made in the country and the largest banks are owned by the state, the risks in the banking system are considered relatively low. The public debt is currently at less than 50 percent of GDP, so the Vietnamese government still has resources to absorb bad loans.

However, the two low restructuring process of the banking system also has its price. The economy will continue to grow slowly in the next few years while the government focuses on restructuring the banking system rather than focusing on credit growth.

Vietnam's key rates are currently ranging around 7-9 percent. If the growth rate continues at the current low level, JPMorgan Chase said that the central bank will continue to further reduce the interest rate by 1 percent this year. However, inflation is still likely to be high, this bank predicted that there will be hard to have a strong easing package. The organisation said that the strongest interest rate cut that the central bank can do is about 2 percent and the cuts will not be carried out together.

JPMorgan Chase also predicted Vietnam's inflation in 2013 at 8.3 percent in comparison with 9.1 percent in 2012 and 18.7 percent in 2011. Vietnam's trade balance and balance of payments will continue a surplus for the second year in a row, but it will be lower than the threshold of 2.7 percent and 2.2 percent of GDP last year.

Vietnam's foreign currency reserves are expected at $33 billion by the end of this year (equivalent to three months of imports), from $24 billion (equivalent to 2.5 months of imports) at the end of the previous year.

Source: Intellasia | NDHMoney

Enterprise

SOEs To Bravely Spend Big

Many big state-owned enterprises are planning to invest much more than they did last year despite the gloomy economy.

According to the Ministry of Planning and Investment (MPI), the existing economic woes would not prevent many state-owned behemoths from pouring heavy capital into new projects in 2013.

Statistics from 78 state-owned groups and corporations showed that they would spend almost VND507 trillion ($24.37 billion) on new investment projects, up 32.4 per cent against last year, the MPI said in a report on state-owned enterprises' (SOEs) forecast performance in 2013.

The total investment fund of eight economic groups this year would be nearly VND274.3 trillion ($13.18 billion), up 18.4 per cent against last year. Vietnam Post and Telecommunications Group, Electricity of Vietnam and PetroVietnam will be the biggest investors.

Enterprises under the Ministry of Industry and Trade (MoIT) will have the biggest investment projects this year (46.6 per cent of the total investments), followed by those from the Ministry of Transport (34.5 per cent).

For instance, the MoIT's state-run giant Vinatex invested VND811 billion ($39 million) last year in constructing 50 new garment and textile projects and the figure would be nearly tripled to VND2.4 trillion ($115.4 million) this year for production expansion.

"Vinatex's total revenue and total export turnover for 2013 are expected to grow 12 per cent on-year," said Vinatex vice director Le Tien Truong.

TENTATIVE INVESTMENT PLANS OF EIGHT STATE-OWNED ECONOMIC GROUPS FOR 2013

	Name	Total investment (billion dong)		Structure of capital (billion dong)		
		Disbursed in 2012	Expected for 2013	Equity	Loans	Others
1	Vietnam Post and Telecommunications Group	6,533	12,500	10,775	1,700	25
2	PetroVietnam	89,500	91,440	65,720	25,720	
3	EVN	74,408	100,556	29,680	70,638	238
4	Vinatex	811	2,386	1,421	873	92
5	Vietnam National Coal and Mineral Industries Group	19,613	23,438	4,215	19,037	186
6	Vietnam National Chemical Group	6,653	8,540	2,855	5,678	
7	Vietnam Rubber Group	10,217	13,784	7,600	5,035	1,149
8	Viettel	23,806	21,634			
	Total	231,541	274,278	122,266	128,681	1,690

However, despite these enterprises' big investment projects this year, the MPI report said: "Like non-state enterprises, SOEs are facing scores of challenges induced by the long-lasting economic difficulties."

In the middle of last month, the National Steering Committee for Enterprise Renovation and Development told the Vietnamese government that 94 state-owned groups and corporations' total debt within 2012 amounted to $64.18 billion, equivalent to 47 per cent of Vietnam's gross domestic product (GDP) last year. Meanwhile, their total profits were VND127.51 trillion ($6.13 billion), down 5 per cent on-year.

Recently, Prime Minister Nguyen Tan Dung told state-owned groups and corporations to ensure operational effectiveness in 2013.

According to the MPI, last year saw 21 large SOEs reshuffled. Vietnam currently has nine state-run economic groups and 94 state-owned corporations, all of which have yet to be fully streamlined. SOEs are generating nearly 30 per cent of the country's GDP and 39.5 per cent of the total industrial production value.

Source: businesstimes.com.vn

SCIC Seeks To Acquire Non-Core Stakes Of State Groups

Efforts by State-owned groups and corporations to withdraw from non-core businesses may be given a boost if the Prime Minister approves a proposal by the State Capital Investment Corporation (SCIC) to acquire such stakes.

An SCIC executive said the firm as a financial investment arm of the Government is seeking the nod from the Prime Minister to buy those stakes in line with its business scopes.

SCIC is tasked with managing State capital at State-turned-shareholding enterprises, but the firm is also allowed to make financial investments. The firm has invested a total of nearly VND9.3 trillion in the economy via many forms, including buying stocks and bonds issued by entities, contributing capital to set up new firms, or increasing capital at businesses as a State shareholder.

Sources from SCIC said that the corporation has joined forces with Vietnam Electricity Group (EVN) to carry out power projects Vinh Son-Song Hinh, Thac Ba, Haiphong and Quang Ninh.

SCIC now is working with foreign and local investors to deploy key projects such as developing buildings of the Ministry of Foreign Affairs overseas and a number of important seaports and roads.

As per SCIC's recent report on 2012 business performance, the market value of the firm's investment portfolios amounted to an estimated VND50 trillion as of December 31 compared to its book value at about VND14 trillion only.

The report shows that SCIC in 2012 beat all its business targets, recording high growth against the preceding year.

For instance, SCIC obtained a pre-tax profit of more than VND4.5 trillion last year, rising 34% year-on-year, while its after-tax profit was nearly VND3.9 trillion, up 30%.

The firm paid over VND600 billion to the State budget, jumping 83% from the previous year, while its return on equity averaged out at 22%.

Speaking with the Daily, Le Song Lai, deputy general director of SCIC, said that his firm has sold State stakes in nearly 600 enterprises so far, collecting over VND3.3 trillion for the Government.

"The transferred value is twice the book value, showing that SCIC not only secured State capital but also earned a high margin," Lai said.

The increased capital would allow SCIC to boost its investment in key sectors and large or important projects or make flexible investments to enrich State capital, he noted.

Now that many State groups have been asked by the Government to divest its capital from non-core businesses between now and 2015, opportunities abound for SCIC.

SCIC last week put into operation its first subsidiary SCIC Investment One Member Limited Co. (SIC) that specializes in financial investment, project investment and investment consulting services.

SIC has total chartered capital of VND1 trillion which will be replenished during its operational process in three years, with a maximum recapitalization sum of VND500 billion for the first year.

Source: Vietnamnet

Investment

First two months this year sees 99 FDI projects licensed

Disbursement of foreign direct investment (FDI) projects reached an estimated 1.05 billion USD in the first two months this year, a year-on-year rise of 5%, according to the General Statistics Office (GSO).

From January 1 to February 20, 99 projects were licensed and 31 project increased capital, with a total registered capital of more than 630 million USD, down nearly 62% from the same period last year. In February, newly-registered capital was estimated at 349 million USD, up nearly 24% from the previous month. The investment field, processing and manufacturing industry still led in attracting FDI capital in the first two months this year, with nearly 409 million USD, accounting for nearly 65% of the total of newly-registered capital.

According to the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment, Japan continued to lead economies pouring FDI capital into Vietnam, with 31 newly-licensed projects and 10 projects raising capital, valued at 260 million USD, making up nearly 41% of the country's total FDI capital.

However, the agency reported, registered capital in the period dropped nearly 62% against the same period last year to 630.3 million USD. Of the total, 99 new projects accounted for 532 million USD, down 54% year-on-year, while additional capital in 31 existing projects fell more than 80% to 98 million USD.

The agency attributed the sharp drop in registered capital to the fact that a number of major projects were licensed last year, such as the 574 million USD Bridgestone project, the 180 million USD Oshima Shipbuilding endeavor and the150 million USD Lock & Lock Living initiative. In contrast, this year the largest project licensed (to Terumo Corporation) totalled only 98 million USD.

Registered capital mainly went into the processing and manufacturing industries. These industries accounted for about 64.9% of the country's total registered capital, with a total registered capital of 408.9 million USD invested in 44 projects.

The health care sector was also attractive to foreign investors, drawing 80 million USD or 12.7% of the country's total registered capital.

Among 17 cities and provinces that attracted foreign investment in the first two months, the southern province of Dong Nai topped the list with registered capital of 214.35 million USD, followed by the southern province of Binh Duong with 134.9 million USD and the northern city of Hai Phong with 118 million USD.

Japan was the leading source of foreign investment in the first two months, responsible for registered capital of 258 million USD, followed by Taiwan with 81.4 million USD and Singapore with 56 million USD.

Source: HaNoiTimes

In attracting FDI, Vietnam puts high hopes on Japan, US

Analysts have forecast a boom of the Japanese investment in Vietnam. The bilateral trade between Vietnam and the US has also been on the rise.Japan is now the biggest foreign investor in Vietnam with 1,835 registered projects capitalized at $28,991 million in total, followed by Taiwan, South Korea and Singapore. The US is the seventh biggest foreign investor in Vietnam with the registered capital of $10,500 million and chartered capital of $2,512 million.

Investors keep optimistic about Vietnam

According to Yoshitaka Kurihara, a Japanese investment consultant, Japanese investors have set up many big factories in Vietnam over the last two years, including Lixil in Dong Nai province, Bridgestone in Hai Phong and the project on the new city of Binh Duong.

The majority of the Japanese investors in Vietnam are small and medium scaled enterprises. This would also be the tendency in 2013.

In early 2013, JETRO (Japan External Trade Organization) released a report predicting the third Japanese investment wave in Vietnam. The number of Japanese businesses believing in the improvement of their business in 2013 has increased by 13.8 percentage points over the previous year. Meanwhile, Vietnam has been named in most of the Japanese investors' plans to expand their business.

As for the US, the bilateral Vietnam-US trade turnover in 2012 was roughly $25 billion. The country remains the biggest export market for Vietnam.

Vietnam exported $20 billion worth of products to the US in 2012, while the US' exports to Vietnam increased by five percent in the year.

Regarding the US investment in Vietnam,Le Thanh An, the US General Consulate in HCM City, mentioned two most important projects. The first one is the Mong Duong thermopower plant No. 2 in Quang Ninh province.

Kicked off in late 2011, Mong Duong 2, once becoming operational, would provide electricity to 2.25 million households in Vietnam.

An said he has just attended the opening ceremony of Auntie Anne's, a well- known franchising brand in the US. The presence of the US brands in Vietnam would bring more choices to Vietnamese consumers, create more jobs and help develop the human resources.

Stronger investment commitments in Vietnam made.

According to Yoshitaka Kurihara, Japanese investors tend to expand their investments in ASEAN, including Vietnam, in an effort to avoid the risks in China.

Expecting the high growth of the Vietnamese domestic market, especially the HCM City market, Japanese service companies have been flocking to Vietnam. These include the ones in the fields of retailing, freight & forwarding, hotel, education, healthcare and information technology.

Once the inflation gets stable, Vietnam, with its great advantage of low labor cost, would attract foreign investors, who come there to make products for export to Japan.

A lot of big US investors have also revealed their plan to scale up their investments in Vietnam. Nike, for example, would make heavier investment in a plan to make 41 percent of the total sports shoes for export in the country. Intel, the leading computer manufacturer, has affirmed its plan to expand investment after fulfilling the plan to make one billion of chip sets in Vietnam.

Analysts have noted that Japanese investors tend to import input materials from the parent companies in Japan (36.7 percent). Meanwhile, the US investors tend to establish long term cooperation relations with domestic supply companies. About 78 percent of the US companies make long term agreements with domestic suppliers, accounting for 25 percent of the total investment.

Source: NguoiLaoDong

Dong Nai leads in FDI attraction

The southern province of Dong Nai attracted 214 million USD in foreign direct investment (FDI) in the first two months of this year, accounting for 34 percent of the country's total FDI.

Among the seven FDI projects granted new FDI licences, that of the Japanese corporation Terumo Medical in Long Duc Industrial Park is the largest, with 98.9 million USD in capital investment. The company specialises in manufacturing and distributing medical products and equipment.

Also in the period, local industrial zones attracted as many as seven domestic investment projects with total registered capital of 947 billion VND.

The achievement was attributable to the province's renewing investment incentives, focusing on large-scale capital investment projects and on services, supporting and high-tech industries.

The province continues to improve investment environment and open dialogue with businesses to promptly deal with any arising difficulties.

According to the provincial Department of Planning and Investment, processing-manufacturing, property trading, and science-technology are drawing foreign investors' attention.

Source: VietNamNet

Stock Market

Stocks Slide On Weak Confidence

The stock market was back on an uptrend by the end of last week but investor confidence has yet to really recover, which drove trading down on both national stock exchanges.

Three consecutive rises toward the end of the week could not pare the loss that the VN-Index incurred on Tuesday and overall, the Index saw a modest slide of 0.11 per cent to a close of 477.15 on Friday.

The VN30 tracking the top 30 shares on the HCM City Stock Exchange also slumped 0.66 per cent to 547.70 points.

On the Ha Noi Stock Exchange, the HNX-Index witnessed a heavier loss of 2.09 per cent during the course of the week, finishing Friday's session at 62.78 points.

Investors panicked when both markets suddenly plummeted on Tuesday without any negative information. This session took away around US$1.65 billion worth of market capitalisation on the two bourses.

After the panic, no "special" or "adverse" information was announced which helped calm investors. However, investors became more cautious after recent sessions that saw trading becoming more and more sluggish on the two markets.

Total trading volume on the HCM City exchange declined by 35.5 per cent from the previous week, averaging 64.8 million shares, worth almost VND994 billion ($47.6 million). Meanwhile, the volume of trades on the Ha Noi bourse also fell 43.5 per cent, reaching more than 58.6 million shares, worth nearly VND467 billion ($22.3 million).

"The continuous drops in liquidity showed that cash flow is quite restrained and not ready to return to the market. To be able to sustain the current uptrend, the market trading needs to be much improved," analysts of FPT Securities Co wrote in a report.

According to many analysts, most investors are scratching their heads over why Tuesday's session could witness such a strong decline despite the quashing of a previous rumour that spooked the market.

"In addition, investors began to pay more attention to increasing sells by foreign investors last week which make them more cautious," analysts of the financial website commented on a report.

Foreigners still concluded last week as net buyers of a total VND245 billion ($11.7 million) worth of shares in HCM City, but they mainly bought shares of property giant VinGroup (VIC) which was worth more than VND275 billion ($13.2 million). If removing these buys, foreign investors sold a net of nearly VND30 billion ($1.4 million) over last week.

Net sell focused on Vietinbank (CTG) worth VND97 billion ($4.6 million) in order to restructure ETF (exchange-traded fund) portfolio after CTG was removed from the FTSE Vietnam Index.

On the Ha Noi market, foreigners were responsible for a modest net buy of just VND6.1 billion ($292,000).

"The market seems to have levelled off after a three-month rally driven by investors' high expectation of policy changes. The bullish sentiment has weakened and the market will likely witness unfavourable movements if supportive news is not announced soon," said Nguyen Xuan Binh, analyst of Bao Viet Securities Co.

Source : Vietnamnet

Experts: More foreign capital to flow this year

Securities experts have predicted that foreign capital will keep flowing into the local stock market after the Lunar New Year holiday as foreign investors have become very active since the end of last year.

Trinh Hoai Giang, deputy general director of HCM City Securities Corp. (HSC) that holds the biggest foreign brokerage market share in Vietnam, said foreign capital will flow strongly into the market in the near future.

The foreign investors have net bought around VND4 trillion worth of shares over the past two months, implying that they have jumped into the market, instead of staying on the sidelines. As they have focused on large caps, the VN30 index has strongly outperformed the VN Index.

Local shares currently have a P/E (Price/Earnings Ratio) of 11, much lower than in other countries in the region with ratios from 15 to 18. Not just shares, investors in the US have strongly bought Vietnamese government bonds, a good sign after the investors withdrew from the local bond market in 2008.

"Many investors I met during business trips asked for information about the local stock market, saying the market has made positive improvements and offered many investment opportunities. I think foreign investors have come back," Giang said.

The government is trying to fix shortcomings of the economy through restructuring programmes while inflation and foreign exchange rates have been put under control. In addition, the banking system has been more stable than last August and September. These factors will help drive up foreign investment into the domestic market.

Many new products have been applied on the market and the industry is no longer in the group that does not receive government support. Notably, the State Securities Commission has submitted to the Ministry of Finance a proposal to increase the foreign ownership limit in listed enterprises.

The director of a big investment fund also said that foreigners are pouring a huge capital flow into the market via ETFs (exchange traded funds), closed-end funds and open ended funds established overseas, concentrating on large caps on the two bourses. The director said this is natural as these enterprises are leading brands with profitable business, transparent operations and high dividends.

Foreign capital will keep flowing into these stocks in the near future, especially after foreign room in listed firms is increased. Foreigners seem to be interested in consumer goods and pharmaceutical sectors, the director said.

Giang of HSC said strong fluctuations of the stock market have attracted the attention of foreigners.

In the Year of the Dragon, the VN Index jumped 121 points, equivalent to 32.4 percent, while the HNX-Index rose 7.77 points, or 13.4 percent.

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