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Vietnam Business News Collection

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Highlight

Japan's CM Plus enters Vietnam

Japanese corporation CM Plus has launched its subsidiary CM Plus Vietnam Co., Ltd where customers can get management and consultation services, especially in construction and pharmaceutical fields.

Tsunehiro Togashi, president of CM Plus Corporation, told the grand opening in HCM City last week that the company would assist partners in this market with project, engineering, construction and validation management in various sectors.

Explaining the reasons behind establishment of CM Plus Vietnam, Togashi said the corporation considered setting up a presence in Vietnam last year.

He said some 40 employees, including engineers and experts, would be hired for CM Plus Vietnam to develop the Vietnamese market as a core part in the corporation's strategic expansion in Southeast Asia.

Shigehiro Tahara, executive director of CM Plus Corporation, said Vietnamese students, including those studying in Japan, would be trained for working for CM Plus Vietnam, which is located in District 7, HCM City.

As CM Plus has strong advantages in GMP (good manufacturing practice) platform, the one-stop provider of GMP consultation and training as well as related services can help pharmaceutical producers deal with issues at their production sites, enhance their product quality and productivity in compliance with global GMP and inspection criteria.

According to the Foreign Investment Agency, fresh Japanese investment pledges last year amounted to $5.13 billion, accounting for nearly 40 percent of the total in the country. The respective figures in the first five months of this year were almost $3.7 billion and 43.4 percent.

Source: The Saigon times

Vietnam's total retail sales of goods and services in H1/2013 grow nearly 12pct

As reported by general Statistical Office (GSO), Vietnam's total retail sales of goods and services in June were estimated to have reached 212.247 trillion dong, down 0.25 percent from a month earlier.

Totally, in the first half of this year, the country's total retail sales of goods and services were estimated to have reached more than 1,275 trillion dong, growing 11.94 percent over the same period last year.

In Jan-Jun, trade sector accounted for the biggest proportion in the total retail sales of goods and services with 77 percent, followed by hotel, restaurant and services.

As reported, in both economic sectors or industries (state economic sector, collective economic sector, individuals or private economic sector), the total retail sales of goods and services of each part in June saw month on month fall.

Of which, the collective economic sector posted the strongest fall of 0.46 percent, followed by foreign-invested economic sector (down 0.38 percent) and private economic sector (down 0.35 percent).

Regarding the economic industries, tourism posted the strongest fall in the total retail sales of goods and services with a fall of 1.02 percent, followed by trade and hotel and restaurant.

Source: Intellasia | GSO

Retail Woes Pose Investor Headache

Struggling retailers forced to close down or cede their business to others in Hanoi shopping centres have caused difficulties for the investors.

Nguyen Hong Hoa in Ba Dinh District said she had rented a booth at the Grand Plaza, a trading centre in Tran Duy Hung, Hanoi, for $2,000 a month in 2011 to sell clothes.

However, after only four months of doing business, she had lost more than VND100 million ($4,700) because of too few customers and had to stop trading and cut her losses.

She wasn't the only one. Grand Plaza managers IDJ Asset Management JSC increased service charges to VND1 million per square metre six months ago to keep the centre afloat and then closed it down for "restructuring".

An IDJ Asset representative said no date had been set to re-open the centre.

Meanwhile, the Hang Da Trading Centre closed "to restructure" after only two years of operation. Many shops have closed or ceded their businesses to others leaving many vacancies. A few shops on the first floor still operate while the upgrade continues.

Tran Thanh Huong, a shopkeeper in the Hang Da Trading Centre, had to close because sales were sluggish while she had to pay VND20 million per month for rent and service and marketing charges plus tax.

Other trading centres, such as Mipec Tower, in Dong Da District, and Parkson, at Keangnam Landmark in Tu Liem District, have fared little better.

Property consultants CB Richard Ellis Vietnam Company (CBRE) said the reopening of Trang Tien Plaza, which provide 14,000 square metres m in modern retail space, had pushed up the average rental in central business district (CBD) shopping centres by 3 per cent over the last quarter.

However, this was countered by the "restructuring" of other retail centres, including Mipec, which had weighed on the average rent in the CBD. Meanwhile, non-CBD retail rents had declined 2 per cent quarter-on-quarter and 11 per cent year-on-year.

Rents in other retail formats, including department stores and retail lobbies, stabilised quarter-on-quarter. Average vacancies went up by approximately 6 percentage points over the same period last year.

Still, vacancies increased in both CBD and non-CBD projects, especially in the CBD due to Hang Da Galleria's soft performance and a large number of tenants' relocating. More stores closed in shopping centres (172) than opened (121) in the first quarter this year.

The failure of such high-end projects as Grand Plaza and Hang Da Galleria was due to stagnant sales and the increase in prices of goods, including tax and intermediary fees that equalled 50 per cent of original prices.

Another 422,200 square metres of retail space was expected to enter the market from now till the end of 2013, putting more pressure on large retail centres.

Source: VNS

M&As top of the pops

Vietnam's mergers and acquisitions market is expected to be more vibrant thanks to a raft of simplified legal procedures.

The latest Stoxplus report showed that in 2013's first quarter, the mergers and acquisitions (M&A) market size reached $675.6 million, with 14 deals recorded, including 10 foreign-backed and four domestic M&A deals.

Some typical M&A cases in the first quarter included American-based KKR investment fund increasing its ownership in Masan Consumer from 10 per cent to 18 per cent, with additional value of $200 million, Mekong Capital withdrawing 6.7 per cent equity at Mobile World Joint Stock Company for a financial investor with $110 million and Vingroup transferring Vincom Center A Commercial Hotel Complex in Ho Chi Minh City to VIPD worth $470 million.

"From this time until the year end and next year, the market will be busier because of the trend to shift from direct investment to indirect investment via M&As," said Nguyen Quang Thuan, general director of Stoxplus.

He said local businesses offered attractive prices for foreigners because of Vietnam's struggling economy and legal barriers to the M&A process had been loosened, especially in the banking sector with the government easing restrictions for foreign ownership in some weak banks.

According to Stoxplus, M&As in the banking sector would be more vibrant due to its restructuring roadmap, as the number of commercial banks would be reduced from 39 to 13-15 by 2017.

Recently, the government considered raising the foreign ownership limitation to above 30 per cent, with Saigon Commercial Joint Stock Bank (SCB) as a pioneer. Among the 39 current joint stock commercial banks, 15 have strategic partners in the same sector, three banks stay in special supervision or have less demand for merging or transferring.

Consumer finance M&As are also predicted to be busy after the government allows domestic and foreign financial institutions to merge or equitise with retail bank, with the merger of PVFC and Western Bank a typical case.

Robert Tran, a senior executive of Robeny Group - a Canadian consultancy firm, said he expected M&A deals to occur in the food and beverage sectors, pharmaceuticals, breeding food and education. "Currently, we receive requirements from U.S and Canadian companies seeking pharmaceutical factories to process commodities in Vietnam and ASEAN markets," said Tran.

Currently, Japanese firms remain at the top of foreign-backed M&A in equity investments into Vietnam enterprises. Besides some significant deals, Japanese investors have been searching for investment opportunities in niche markets with small and medium target enterprises.

To reflect the trend and contribute to enhancing the efficiency of M&A activities in Vietnam, since 2009, VIR and AVM Vietnam have initiated the annual M&A Vietnam Forum.

The Vietnam M&A Forum 2013 will be held on August 8, 2013 in Ho Chi Minh City.n

Since 2009, the forum has become the biggest annual event on M&A and strategic investment in Vietnam. The forum is expected to welcome leaders of Ministries, sectors, experts, leading financial enterprises, M&A consulting companies, hundreds of other Vietnamese and foreign enterprises and the media.

Source: VIR

Economy

Is inflation control target within reach?

The latest statistics show that Vietnam is on track to keep inflation under control. However, experts warn there is no room for complacency as market prices fluctuate in the second half of the year.

The General Statistics Office (GSO) announced on June 24 that the national consumer price index (CPI) rose slightly by 0.05% in June, bringing its six-month index to 2.4%, which is much lower than half of the 6.81% target set for 2013 by the National Assembly.

Nguyen Duc Thang, a GSO official, told VOV that the price index truly reflects the market law of supply and demand that the CPI normally increases considerably in the first two months of the year due to the traditional lunar New Year festival, but remains stable or even goes down in the following months.

The low six-month CPI shows that ministries, sectors and localities have effectively implemented a Prime Minister Decree on inflation control, one of the government's top priorities in its macroeconomic performance.

It also shows that the consumer purchasing power is much lower than last year, rising just 4.9% compared to 9.8% of the first half of 2013.

According to Thang, Vietnam is likely to control this year's inflation if it maintains the steady or even negative price index growth in six consecutive months.

It has achieved such growth for the past four months and it is difficult to forecast what will happen in the coming months, the senior statistical official said.

Other experts warned that lax coordination and management between economic sectors and businesses will fuel inflation up when the market roadmap for several key commodities and services is put in place in the second half of the year.

It's worth remembering that the recent decision to hike retail petrol prices was not included in June's CPI calculations. This means it will affect the CPI for July which also sees a minimum pay rise for employees.

A loose monetary policy as suggested by a number of economists could bring in undesired results. The fact is that a tight monetary policy has helped the government get inflation under control over the past months.

Experts said the State budget deficit for 2013, which accounts for 4.8 percent of GDP, is comparatively high and the ratio will be much higher if it bears the burden of government bond sales.

In addition, large amounts of capital are needed to restructure the national economy, make strategic breakthroughs (in institutions, human resources, and infrastructure), and increase foreign currency reserves.

Other factors that could affect CPI growth include a possible increase in the prices of input materials for production (electricity, petrol and fertilisers), capital disbursement for key projects, animal epidemics, and adverse weather conditions.

A rising trade deficit is another imminent factor behind high inflation. Statistics show that as of June 15, the trade deficit ran at more than US$1 billion. If import surplus keeps rising and there remain wide differences in domestic and global gold prices, the exchange rate between the US dollar and the Vietnam Dong is likely to rise and have a double impact on inflation.

GSO official Thang suggested that the government further cut lending interest rates to keep pace with inflation trends and macroeconomic performance, and ease difficulties for businesses to shore up production.

The government should flexibly adjust the prices of input materials for production such as electricity, coal, fertilizers and healthcare and education services to avoid market shocks as in the past, he said.

Source: VOV

CPI increases 0.05% in June

Vietnam's consumer price index (CPI) in June rose slightly by 0.05% over May's figure, equal to a year-on-year increase of 6.69%, according to the General Statistics Office (GSO).

June's price increase has driven the CPI for the past five months up 2.4% over December 2012, or 6.73% higher than last year's average.

Garment and footwear product prices rose by 0.42 percent due to the high demand from tourism services during the summer holidays.

The GSO also said that the government's commitment to realizing the VND30,000billion bailout package for the real estate sector has also stimulated prices of construction materials and houses (up 0.02 percent).

Local experts attributed June's low purchasing power to the prices of some essential products, especially food and restaurant services, which are forecast to continue their downward trend in the coming month.

The Vietnam Food Association (VFA) said Vietnam has exported nearly three million tonnes of rice as of June 13 and rice prices in June rose by 3 percent, compared to the average during the previous five months. The current export price hovers around US$435 per tonne, the highest since 2011.

Meanwhile, domestic gold prices fell by 4.11 percent in June, while the US dollar/VND exchange rate went up by 0.26 percent.

Source: VOV

Banking & Finance

Weak in liquidity, banks trigger new interest rate race

There are embryonic signs of a new interest rate race among commercial banks, which have been trying to raise the deposit interest rates to improve their liquidity.

Ceiling interest rate broken

While most commercial banks complain about the capital abundance and the slow credit growth rate, they still have been launching a lot of marketing programs to encourage people to deposit money at their banks.

Dau tu newspaper has found out that "special interest rates" still have been offered to the VIP clients, who deposit VND10 billion or more. The "special interest rates" are understood as the rates which are higher than the ceiling rate, now at 7.5 percent set up by the State Bank of Vietnam.

President of Agribank, one of the biggest banks in Vietnam, also said the liquidity of the banking system is not profuse as reported, especially after the State Bank began applying the drastic measures to slash the deposit interest rates.

The deposit inflow to commercial banks has slowed down in both urban and rural areas. This has forced banks to raise the deposit interest rates in order to attract capital.

Agreeing with Bao, Phan Duc Tu, General Director of the Bank for Investment and Development of Vietnam BIDV, said though banks have agreed on the central bank's policy on lowering interest rates, some banks still have quietly mobilized capital at high interest rates.

Some commercial banks have recently suggested lowering the deposit interest rates to 5 or 6 percent per annum. However, the suggestion is thought to be unfeasible because of the weak liquidity of banks.

"Some problems have appeared on the monetary market," Bao said. "If the interest rates reduce further, though slightly, this would make the market distorted."

Governor of the State Bank of Vietnam Nguyen Van Binh has also admitted that though the banking system's capital has become more profuse, the strong liquidity has not been obtained by all banks. Therefore, if the central bank slashes the interest rate further, some small banks would fall into big difficulties.

Therefore, Binh said that the ceiling deposit interest rate would be kept unchanged until the end of the year, or it would be reduced very slightly.

Credit quality still worrying

In order to obtain the 12 percent credit growth rate in 2013, commercial banks need to obtain the 9 percent growth rate more in the second half of the year, which is really a difficult task.

President of Vietinbank -- Pham Huy Hung, has noted that the credit quality has not been improved yet. Though the bad debt ratio has decreased, the credit quality has not increased.

Bankers have also said that they can push up lending, but there are latent risks in loaning because of the degrading businesses' health.

Vietcombank's General Director -- Nguyen Phuoc Thanh, also said the number of goods businesses, marked as "++", has decreased sharply. While Vietcombank continues pouring capital into the priority sector, it has noted that the bad debts in the sectors have increased rapidly due to the high inventories.

While commercial banks find it difficult to increase the credit growth, Tien Phong Bank has proposed the State Bank to allow it to have the credit growth rate higher than 12 percent with the promise to ensure the high credit safety.

Source: VietNamNet

Banks' bad debt ratio at 4.65pct as of end-May: C. bank's chief inspector

The State Bank of Vietnam (SBV)'s chief inspector, Nguyen Huu Nghia, on June 20 announced the bad debt ratio of the entire banking system as of the end of May at 4.65 percent.

The figure was collected from reports of 124 domestic credit institutions. Of which, Nghia said that, about 30 credit institutions reported their bad debt ratio at above 3 percent, accounting for about one fourth of the current number of credit institutions.

According to the provisions in the government's Resolution No 53 on the establishment, organisation and operations of Vietnam Asset Management Co (VAMC), these credit institutions with bad debt ratio at above 3 percent will be forced to join debt trading activities with VAMC. Banks whose bad debt ratio are not reported correctly will be inspected and handled by the central bank.

Source: Intellasia | VTV News

Credit growth may reach 15pct in 2013: governor

The State Bank of Vietnam (SBV)'s governor confirmed credit growth target being done well will ensure the economic growth goal of 5-5.5 percent per year.

Addressing at a meeting in banking sector held on June 17, the central bank's governor, Nguyen Van Binh, said credit growth has been much improved (about 3 percent in the first half of this year), but to promote the economic growth, credit growth for the whole year 2013 must be at about 12 percent.

The local Newswire An Ninh Thu Do on June 18 quoted the governor as saying that if the economic conditions are better, credit growth may reach 15 percent this year.

Earlier, at a meeting in early June, Le Xuan Nghia, a well known economist, deputy Chair of the National Advisory Council for the Monetary Policy, was somewhat more optimistic when saying that credit will grow gradually by the end of the year and in the positive case, credit growth may reach 16-17 percent, nearly two-folds higher than that of last year (only 8-9 percent).

Regarding the target to achieve credit growth of 12 percent, at the meeting, head of the Monetary Policy Department, Nguyen Thi Hong, said, in the remaining months of the year, the whole banking system will continue to conduct interest rate and credit solutions that have been carried out since 2012 to remove the difficulties in production and business activities and support the market.

Source: Intellasia

Enterprise

SOE reforms stepped up, snags remain

Viet Nam's ministries and agencies have put more effort into promoting the progress of State-owned enterprise (SOE) renovation and development.

This direction was presented in a recently issued conclusion by Deputy Prime Minister Vu Van Ninh after a last month meeting of the Steering Committee on Corporate Renovation and Development.

The committee and relevant authorities helped the Prime Minister direct the arrangement, renovation and improvement of SOEs' effectiveness, which have gained considerable achievements during last year and the first five months of 2013.

It proposed to the Prime Minister 28 projects on the corporate renovation policies, taking account of 78 percent of the 2012 plan and 50 percent of this year's plan.

The Prime Minister approved 99 of the 101 initiatives on the SOE arrangement and renovation of ministries, agencies and localities in the 2011-15 period, and passed 17 of 21 projects on the restructuring of State-owned corporations and groups. In addition to the achieved results, the conclusion also pointed out the drawbacks of SOE rearrangement, renovation and restructuring such as slow progress in issuing policies and mechanism, limited results in implementing SOE renovation projects and difficulties in withdrawing capital.

During its meeting, the Steering Committee also specifies the plans and tasks of ministries and agencies for the final months of this year.

In the coming time, it will focus on completing the policies and mechanism for SOE rearrangement, renovation and restructuring, aiming to accomplish the plans approved by the Government and the Prime Minister promptly.

Source: VNS

Law amended, FIEs escape suspended sentence

Thousands of foreign invested enterprises (FIEs) have escaped from their suspended sentence because they did not make the re-registration as required by the Enterprise Law, since the amended law which makes some changes to the Article No 170 was ratified by the National Assembly on June 20.

As such, the thousands of enterprises now can sigh with relief because they have suddenly become "innocent" overnight, just because of the amendment of the law. The sentence of violating the Article No. 170 of the Enterprise Law had been hung over them over the last few years. The article stipulates that if FIEs do not make the re-registration, they would have to stop operation and get dissolved.

The enterprises did not make the re-registration as requested by the law, while they would have to follow very complicated procedures to make the re-registration.

414 out of the 461 National Assembly's Deputies agreed to the proposed amendment of the Enterprise Law. Meanwhile, they once argued violently about whether to amend the article and whether to punish the FIEs which have not made the re-registration as stipulated by the laws.

A report released in early June 2013 showed that nearly 3,000 FIEs missed the deadline for renewing their investment certificates and they may face the shutdown.

The Ministry of Planning and Investment, which insisted on the amendment of the law, warned that if the National Assembly does not agree to the amendment, this would badly affect the Vietnamese investment environment.

If such a high number of FIEs was closed, a considerable sum of capital might be withdrawn from Vietnam and thousands of workers would lose their jobs, giving numerous social problems.

However, some national Assembly's Deputies warned that the amendment, considered as a "compromise" would even lead to better consequences, because this means that the Vietnamese laws are not abided by FIEs.

They said this would create a bad precedent in the sense of respect and observance of the laws. This would put the FIEs which have made the re-registration and respected the laws in the same category with the enterprises which have deliberately deferred the re-registration.

The problem was that the government agencies, which realized the unreasonable provisions and the low percentage of re-registered FIEs, did not make prompt action to settle the problem.

According to the Ministry of Planning and Investment, the 3,000 FIEs which have not made the re-registration as requested, have the total registered investment capital of $18.5 billion and employ 446,000 workers.

Of these, many enterprises have their operation duration finished as stipulated in their investment licenses, but they want to make the re-registration to continue operation. Some others want to register some new business fields in Vietnam.

Especially, the ministry's report showed that a lot of FIEs began their investments right in the first years of the doi moi (renovation), initiated by the Communist Party in1980s. They made great contribution to the socio-economic development by creating jobs and paying money to the state budget. They have also expressed their willingness of doing business for a long time in Vietnam. The decision of the government to propose the National Assembly to amend the Article No. 170 of the Enterprise Law has been hailed as a necessary move, because Vietnam, in order to attract more foreign direct investment, needs to be constructive in setting up the legal framework.

Source: VietNamNet

SMEs' export competitiveness to be promoted

A program to boost the export competitiveness of Vietnam's small- and medium-sized enterprises (SMEs) through local trade promotion networks was launched on June 13th in Hanoi by the Trade Promotion Department (Vietrade) under the Ministry of Industry and Trade, with the aim to enhance SMEs' contributions to export turnover.

Accordingly, the program, with an estimated budget of around US$3.8 million, will improve the capacity of local trade promotion centres, establishments and banks as reliable service providers in localities, help set up a national export board to raise the ability of government cadres in supervising and evaluating the implementation of the national import and export strategy, as well as strengthen capacity of technical assistance for the Trade Promotion Department.

According to Do Kim Lang, Deputy Director of the Trade Promotion Department, the program will be carried out in provinces and cities with high potential for sustainable export development. In the first year of the 6-year long program, the department will select the main exports of each region.

Source: QĐND

Investment

FDI hits nearly US$10.5 billion in six months

In the first half of this year, Vietnam attracted nearly US$10.5 billion in terms of foreign direct investment (FDI) to 554 new projects and 217 old ones, up 15.9% from a year earlier.

In the same period, around US$5.7 billion was disbursed, up 5.6% compared to last year's figure and more than US$9.3 billion poured into the processing and manufacturing industries, accounting for 88.9% of total FDI.

Topped the list of 45 countries and territories investing in Vietnam was Japan with nearly US$4 billion accounting for 38.1% of the funding, followed by Singapore with US$3.41 billion, making up 32.6% and Russia with US$1 billion, equal to 9.7%.

Among FDI projects operating in 46 provinces and cities nationwide are the Nghi Son Oil Refinery in Thanh Hoa province with an additional capitalisation of US$2.8 billion from Japan, Samsung Electronics Vietnam in Thai Nguyen province with US$2 billion from Singapore and the Bus Industrial Centre in Binh Dinh province with US$1 billion from Russia.

Export earnings from the FDI sector, including crude oil, in the first six months rose 24% to US$41.1 billion from a year earlier, accounting for 66% of Vietnam's total export turnover.

Source: VOV

Delayed FDI projects face MPI scrutiny

The Ministry of Planning and Investment (MPI) is working with other ministries and provincial governments to check the major foreign direct investment (FDI) projects that are being slowly carried out.

Implementing the inspection plan for 2013, the MPI has recently sent a dispatch to local governments requesting reports on the progress of the major FDI projects that have been delayed or struggling with difficulties.

Those subject to examination are projects with total registered capital of $100 million or above, and a land area of 50 hectares or more, with projects inside and outside industrial parks, export processing zones, economic zones and high-tech parks affected.

As requested by the MPI, the local departments of planning and investment (DPI) and the authorities of industrial parks, export processing zones, economic zones and high-tech parks will have to ask owners of such projects report on the development pace. They should focus on areas such as land use, construction, capital contribution, funding, and accomplishment of what is specified in their investment certificates or approvals in principle.

In addition, the project owner needs to make clear how they have realised their commitments to the project progress, compliance with their financial obligations to the State, their labour use, the problems they are facing and their proposals for solution. The State agencies will gather comments and recommendations from each project and send them to the municipal or provincial authorities.

The ministry has proposed local governments assign the DPIs or equivalent agencies to collect statistics on the businesses and the projects in their localities and report to the local governments, which will then submit comprehensive reports to the ministry no later than June 30.

Since 2007, many billion-dollar projects have been approved, according to data from the Foreign Investment Agency under the MPI.

Source: The Saigon times

Stock Market

VN-Index tumbles

The local market opened the week in a negative mood on Monday with the VN-Index tumbling to below 490 points and liquidity shedding by one-third to around VND1.1 trillion.

According to Viet Capital Securities Company (VCSC), exchange traded funds (ETFs) might have mostly wrapped up their rebalancing last Friday but their impact on the stock market remained.

Trading data showed significant foreign net outflows of VND190 billion on both bourses, with ETF redemptions the likely catalyst. According to Bloomberg data, the Van Eck ETF saw 300,000 shares redeemed last Friday. There was also market talk saying that the FTSE Vietnam ETF saw around 150,000 to 200,000 shares or up to be redeemed on the same day.

"There is typically a two to three day lag on FTSE data so we have been unable to confirm these numbers as of this writing," VCSC said.

The VN-Index also suffered as Masan Group (MSN), the fourth largest firm by market cap on the southern bourse, closed at the floor price, pulling the index down nearly three points.

VCSC said that MSN dropped 6.5% to the floor price of VND92,500 each share mainly due to a filing released over the weekend announcing that around 17.8 million of the company's employee stock ownership plan (ESOP) shares will be allowed for trade on July 2.

A previous filing to the southern bourse had stated that there was no lock-up period for these shares, raising concerns among investors that the stock price could be pressured by the extra supply on the market, the broker explained.

The VN-Index in total lost 9.1 points, or 1.82%, against the previous session to close at 489.74.

The Hanoi market also declined while turnover dropped to around VND300 billion. The HNX-Index was down 1.1% and ended the day at 63.55.

HCMC Securities Corp. (HSC) said that the markets fell again following further weakness on overseas markets.

"With the dollar strengthening against emerging market currencies recently and a reversal of cash inflows into many of these markets, there has been a reduction of investment in the entire emerging market asset class. While the inflows into Vietnam have been particularly modest in comparison to other countries, we still saw rather heavy foreign selling pressure today, which has caused local investors to withdraw more cash from the market also," HSC said.

"Margin trading positions have been in steady decline now for several days. In any event, the retreat looks orderly and we should be close to some short-term technical resistance on the VN-Index," it said.

Source: The Saigon times

Stock market forecast to be flat this week

Securities firms have predicted the market would move sideways or drop back slightly this week as investors might stay on the sidelines to anticipate more supporting news.

Last Friday, activity on the last official day of exchange traded funds (ETFs) balancing totally overshadowed gross domestic product (GDP) data in HCMC, which came at 7.9% for the first half, down from 8.1% last year. Trading was quite active as the market swung from an intraday low of 495 points to break 500 points. It was only pushed down at the close of the session by massive selling pressure that was equally matched by demand from bargain hunters.

Although the VN-Index and HNX-Index ended the day in the red, Viet Capital Securities Company (VCSC) said the slight declines were a positive signal that investors were not totally in risk-off mode as they appeared to be in other markets in light of the Fed's plans for scaling down its stimulus effort.

"Furthermore, another positive point is that by our rough calculations based on foreign trading data, we believe the ETFs were able to make the most of the changes needed for their portfolio by today's deadline. With the three week ETF review balancing period pretty much over, investors can breathe a sigh of relief as we suspect trading to be less volatile but also a bit less active as the second quarter winds down and the waiting period for corporate earnings begins," VCSC added.

HCMC Securities Corp. (HSC) said that with the redemption pressures tapering off last week, it would suggest that net foreign selling pressure should decelerate from this week. Meanwhile, overseas markets, especially emerging ones, have fallen sharply in June while emerging currency markets have also turned strongly volatile.

"What makes Vietnam different from other markets? The first reason is that we have not seen huge foreign inflows over a long period of time. Many of these markets have run up on substantial net foreign buying for several years already at least. And now we are seeing a partial reversal of these long-term flows. In Vietnam, in contrast, we have seen positive net buying from foreigners only since January, hence there is not much flow to reverse," HSC said.

Secondly and closely tied to the first point, most mainstream funds still have limited exposure, if any, to Vietnam even for their frontier or emerging market funds. Active foreign participation here comes from a handful of specialist funds only. So Vietnam's footprint in the world of frontier market flows is still small, the broker added.

"This supports our current view of a period of modest consolidation within a fairly narrow trading range between 480 and 520 points for the VN-Index (narrow at least in relation to the gyrations seen in many market indices in recent times) with ongoing profit taking in some leading blue-chips offset by some new buyers coming in to buy on weakness. That may continue for several weeks or longer," HSC predicted.

Source: Saigon Times

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