Vietnam to End Foreign Investment Limits in Many Companies

Vietnam will eliminate limits on foreign ownership in many listed companies, a step likely to spur investment inflows and reduce market volatility.

Overseas investors will be allowed to increase holdings of voting shares in a number of industries to 100 percent from 49 percent currently, according to a statement on the government’s website late Friday. The decree will take effect in September. The foreign investment cap in banks will remain at 30 percent.

There are about 30 companies whose foreign ownership is at the 49 percent limit, according to Hanoi-based VNDirect Securities JSC. Investors including Templeton Emerging Markets Group and Dragon Capital Group Ltd have said they’ve been unable to buy as many shares as they want in the market’s most attractive companies.

“As soon as the limits are raised, you will see a rush to buy in the blue chips,” said Patrick Mitchell, the head of institutional sales at VinaSecurities JSC in HCM City.

The benchmark VN Index has gained 6.6 percent this year, making it the best performer in Southeast Asia. Vietnamese regulators see foreign investment as one key to the stock market’s growth.

‘Game-Changer’

The end of investment limits is a “game-changer” that will “immediately make Vietnam the most attractive Asian frontier market,” said Andy Ho, chief investment officer of HCM City-based VinaCapital, which manages about $1.4 billion in assets.

Sectors the government regards as strategic are likely to continue to have investment limits, Ho said. These include banking, telecommunications, airlines and defense.

Overseas investors have bought a net $135.6 million of Vietnam stocks in 2015 through June 25, heading for the ninth straight year of purchases, according to data compiled by Bloomberg. The nation’s stocks are valued at $58.6 billion, compared with $558.1 billion in Singapore, the region’s largest market.

Greater foreign ownership and the depth created by new listings are likely to make the Vietnamese market less volatile in the future, VinaCapital’s Ho said.

Vietnam’s gross domestic product rose 6.44 percent in the second quarter from the same period a year earlier. The government is targeting GDP growth of 6.2 percent this year, up from 5.98 percent in 2014.

Source: http://www.intellasia.net/