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Market Analysis

1. Shares lose steam on rising profit-taking

Vietnamese shares slipped on Thursday as a surge in profit-taking hit stocks in key sectors.

The benchmark VN-Index in the Ho Chi Minh Stock Exchange lost 0.43 per cent to close trading at 908.58 points.

The index had gained 0.70 per cent to close Wednesday's trading session at 912.50 points.

Nearly 398.5 million shares were traded on the southern bourse, worth VND6.4 trillion (US$274.6 million).

Market breadth was negative with 271 decliners and 133 gainers.

According to BIDV Securities Company, the unchanged market liquidity and negative market breadth indicated that cautious trading was dominating the market.

"The VN-Index is likely to fluctuate in the range of 900-920 points in the coming sessions," it said.

"Investors can limit transactions when the results for the third quarter macro-economy growth is announced. If the results are positive, it can be the driving force to help the market overcome this difficult fluctuation period," the company said.

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, decreased 0.59 per cent to close Thursday at 853.21 points.

In the VN-30 basket, 21 stocks lost ground and eight increased while one remained flat.

On a sector basis, 15 out of 25 sector indices lost steam, including wholesale, retail, insurance, real estate, securities, information and technology, mining, banking, agriculture, chemicals and plastic production, food and beverage, seafood processing and construction materials.

On the other side, gainers were healthcare, rubber production and logistics.

Many bluechips in key sectors suffered from the rise of profit-taking pressure such as Vingroup (VIC), losing 1.6 per cent, Vinamilk (VNM), dropping 1.5 per cent, Bank for Investment and Development of Viet Nam (BID), slumping 1.2 per cent, Sabeco (SAB), down 1.6 per cent, Vinhomes (VHM), losing 0.5 per cent, Vincom Retail (VRE), declining 1.7 per cent, Vietinbank (CTG), dropping 1 per cent, VPBank (VPB), down 1.5 per cent, Hoa Phat Group (HPG), decreasing 0.6 per cent and FPT Corporation (FPT), losing 1.2 per cent.

The minor HNX-Index on the Ha Noi Stock Exchange lost 0.70 per cent to end Thursday at 131.71 points.

It had gained 0.34 per cent to end Wednesday at 132.64 points.

More than 54.7 million shares were traded on the northern exchange, worth VND697 billion.

Foreign investors net sold VND121.71 billion on HOSE. They were net sellers on the HNX with a value of VND27.80 billion.

Macro & Policies

2. Controversial draft decree may make banks lose potential foreign investors

Recently, some commercial banks have curbed foreign ownership limits in their capital to below the bar of 30 per cent set by the State Bank of Viet Nam (SBV).

HCM City Development Joint Stock Commercial Bank (HDBank) on September 7 locked the limit of foreign capital at 21.5 per cent.

The Viet Nam Prosperity Joint Stock Commercial Bank (VPBank) locked the rate at 15 per cent, while the Viet Nam Technological and Commercial Joint Stock Bank (Techcombank) limited the rate at 22.5 per cent.

Under existing regulations, foreign ownership in the banking sector is limited at 30 per cent because the industry is highly sensitive and has great influence on Viet Nam's economy.

HDBank said in a statement the foreign ownership cap would allow the bank to have more space in its capital to sell to strategic foreign investors.

Economist Nguyen Tri Hieu told local media that such moves by banks may be temporary because they have not found any foreign investors suitable to becoming strategic investors.

"Banks should be careful with selecting foreign strategic investors. Temporary foreign ownership cap may be a good move for them," he said.

According to business insiders, banks are looking for investors to fill available foreign capital space. Some foreign institutional investors have made offers but the key factors to select a potential investor include financial status and good business strategy while banks also want to ensure their shares are not undervalued.

So far, the Joint Stock Bank for Foreign Trade of Viet Nam (Vietcombank), the Joint Stock Commercial Bank for Investment and Development of Viet Nam (BIDV) and Orient Commercial Joint Stock Bank (OCB) have successfully sold shares to strategic foreign investors.

BIDV in late 2019 sold 603.3 million shares to the South Korean lender KEB Hana Bank for nearly VND34,000 (US$1.46) per share, valuing the deal at nearly VND20.3 trillion ($872.5 million). OCB on June 29 transferred its shares to the Japanese bank Aozora and the value of the deal remains unknown.

But starting 2021, banks may not have the authority to decide the rate of foreign ownership in their capital.

Under a draft decree the State Securities Commission (SSC) is developing to instruct companies and investors to implement the amended Law on Securities, public companies may not be empowered to determine the ratio of foreign ownership in their capital.

Under Decree 60/2015/ND-CP dated June 26, 2015, public companies not operating in national security-related sectors such as banking, real estate and transportation or not subject to international treaties can raise foreign ownership limits to 100 per cent.

Business insiders said if banks are not allowed to make their own decisions on foreign ownership limits, they may struggle in negotiations with foreign investors.

Foreign investors will look to buy bank shares on the stock market instead of making deals privately and making long-term commitments to the development of the bank, they said.

Responding to the draft decree, the Viet Nam Banks Association (VNBA) said there are many individual investors on the stock market and revoking banks' power in such an issue may allow those investors to have a negative influence on banks' operation and governance.

The SBV said that banks should be authorised to make decisions on foreign ownership issue as long as the decisions are in line with existing regulations and the company charter.

The central bank said banks can decide to cap foreign ownership at a specific rate as long as the rate is below the bar of 30 per cent. In addition, giving banks this power may help make their shares more attractive to foreign investors.

Facing the new policy, banks have expressed worries that they may lose the opportunities to make deals with foreign investors capable of lifting the banks' performance.

Lawyer Tran Huu Huynh, chairman of the Viet Nam International Arbitration Centre (VIAC), said companies should be able to decide the foreign ownership limits on their own, except those subject to international agreements.

In addition, company shareholders, especially major shareholders, should make decisions on such matters, Huynh said.

Nguyen Duc Kien, head of the Prime Minister's economic advisory team, said banks are the force that helps the central bank run its monetary policies and stabilise macroeconomic conditions, so any changes with this sector should be reviewed carefully.

3. Multinational companies keen to sign up VN parts suppliers

Le Nguyen Duy Oanh, its deputy director, said notable among them is the global cordless power equipment and floor care company, Techtronic Industries Co. Ltd. (TTI), which recently invested US$650 million in the Saigon High-Tech Park and is looking for 200 local suppliers within a year.

It has so far identified around 50.

“The city Department of Industry and Trade is actively connecting supporting industry firms in the city and neighbouring provinces with TTI.”

At the Sourcing Fair for Supporting Industry held in HCM City last week, 14 foreign manufacturing companies in the electronics, mechanical engineering and hi-tech medical sectors, including Samsung Electronics, Remote Solution, TTI, Panasonic, Bosch, Juki, Nakata Microtechnology, Sankitech, and Won Seal Tech, displayed more than 400 component and part clusters for which they sought local suppliers.

Panasonic is expected to open its seventh factory in Viet Nam this month or next to manufacture ceiling and electronic fans and other products.

Its factories have made diverse products, ranging from television sets, air-conditioners and refrigerators to electric home appliances, thus opening a wide door for qualified local parts suppliers.

Hoang Thu Thuy, head of Global Procurement Group at Panasonic Vietnam Co., Ltd, said, “We have seven factories in Viet Nam, so developing local suppliers is one of our strategies.”

Panasonic's use of local parts is around 35 per cent in terms of value though Vietnamese firms account for less than 10 per cent, she said.

She said her company wants to find Vietnamese suppliers, especially for key products that have high value and would help reduce logistics and production costs.

Oanh said: “After three [years] of the Sourcing Fair for Supporting Industry, some 45 Vietnamese supporting industry enterprises have become suppliers to large manufacturing groups.

“Enterprises such as Hiep Phuoc Thanh, Nhat Minh and Tien Thinh have received many orders from a number of large manufacturers and plan to open more factories.”

Tong Viet Cuong, director of Hiep Phuoc Thanh Production Co., Ltd., said his company is supplying supporting industry products to many global corporations such as Samsung, Toyota, Honda, and Panasonic, with a focus mainly on moulding and plating items.

Cuong said to receive orders from such companies, in addition to meeting many criteria in terms of quality and prices, vendors must also meet corporate social responsibility and on-time delivery requirements.

Foreign firms have very transparent requirements when seeking suppliers, he said.

Suppliers need to adjust internal production capacity to suit their requirements, a process that takes a lot of time and costs, but once they are accepted by foreign firms, they would have steady orders, he said.

Challenges

Le Bich Loan, deputy head of the SHTP management, said: "Faced with an interruption in feedstock imports due to the Covid-19 pandemic, many foreign companies are increasingly seeking local sources.

"This will be an unprecedented opportunity for local firms in the supporting industries to enter the supply chains of foreign firms."

But Vietnamese firms still supply only simple products without high value addition, not core ones.

There is a great opportunity for local firms to participate in global supply chains, and they need to make an effort to grasp it, she said.

The majority of domestic supporting industry enterprises are small with limited resources and limitations in respect of production scale and cost control, and so it is not easy for them to do so, she said.

To improve this, both Oanh and Loan said enterprises themselves must make more efforts and need to change their management mindset, while more support is also needed from authorities agencies and banks.

"It is not too difficult for local firms to meet quality standards to enter global supply chains, and the only question is if their managements are really determine to do so," Oanh said.

Many foreign corporations are committed to sending experts to help Vietnamese firms improve their production capacity, reduce the rate of defective goods and mitigate weaknesses in their management, she added.

4. EVFTA and opportunities for maritime transport

Commitments in the EVFTA were assessed to help enterprises that provide maritime shipping services to expand their market scale as well as create favourable conditions for them to effectively implement services. The EU is currently one of Vietnam's leading trade partners with two-way export and import turnover of US$56.45 billion in 2019, including US$30.31 billion for export and import turnover by sea (accounting for 54%).

The EVFTA is also expected to increase Vietnam's exports to the EU by over 40% and imports from the EU by 35% in 2025. With exports and imports seeing higher growth, the logistics market has been expanding further, especially in maritime shipping.

On the other hand, the EU is also a market that provides high-quality means of transport, machinery, equipment and technology for logistics activities. Vietnam's commitments one liminating tariffs on vehicles and equipment imported from the EU will offer opportunities for maritime transportation businesses to save investment costs in infrastructure and improve their technological capacity.

In addition, the opening of the maritime shipping service market under the EVFTA will promote EU logistics companies to invest in Vietnam while helping domestic enterprises to develop further in the near future.

However, according to experts, the EVFTA also puts Vietnamese maritime businesses in the face of significant challenges. EU service providers are very strong in the logistics sector, with many multinational companies and large modern fleets accounting for a significant market share in the world. Meanwhile, the gap in development between EU and Vietnamese logistics enterprises will create even fiercer competition.

On the other hand, the EU market always requires high service quality while also having indirect legal constraints (on entry and nationality of workers); therefore, it is not easy for Vietnamese businesses to meet the standards set by this market.

Experts recommended that in order to take full advantage of EVFTA's opportunities and overcome existing challenges, Vietnamese maritime enterprises need to actively improve their competitiveness through the building of long-term and methodical plans. They should also raise their capacity through the application of science and technology as well as study and apply successful models in preparation for facing competitive pressure.

It is crucial to proactively enhance cooperation and connection to improve their strength; and create a service supply chain from business linkages. In particular, the maritime transportation enterprises should fully understand the commitments on opening logistics services under the EVFTA to identify new risks in competition with those from the EU while clearly and correctly understanding the contents of the EVFTA's commitments to access the market.

5. GWEC calls on Vietnam to extend wind energy tariff

The Global Wind Energy Council (GWEC) said it has called on the Government of Vietnam to urgently extend the wind energy Feed-in-Tariff (FiT) scheme.

According to the council, Vietnam's wind industry is already facing a slowing of investment in 2020 because of uncertainty around the investment framework, and further delays to the FiT extension will hinder supply chain development and cost reduction in the emerging wind market, and ultimately undermine Vietnam's goal of affordable, reliable and clean electricity.

Vietnam is the fastest-growing wind market in the region, with 500 MW of onshore and offshore capacity currently installed and at least 4 GW forecast to be commissioned by 2025.

However, investor interest in wind project development in Vietnam has slowed significantly in 2020, as onshore wind projects typically require 2 years for development but the current FiT only applies to projects completed by November 2021.

Without clarity on the FiT scheme from 2022 onward, investors are facing too much uncertainty to commit to new wind projects, jeopardising the future pipeline and leading to job cuts in the sector.

“Vietnam has been widely recognised for quickly becoming a regional leader of clean energy in South East Asia and attracting investment commitments from a number of worldclass companies in the sector,” says Ben Backwell, GWEC's CEO. “The government must now avoid slowing down badly needed investment in wind energy by extending the FiT scheme, thereby ensuring that long-term investments can materialise to create tens of thousands of skilled jobs and provide clean, competitive power for Vietnam's economy.”

In June this year, the Prime Minister approved an additional 7 GW of new wind projects to be added to Vietnam's master plan for the power sector (PDP 7). However, the reality is that the vast majority of the 7 GW may not materialize, due to lack of certainty on the FiT extension.

“Vietnam is on the cusp of achieving economies of scale and cost reduction in the wind industry, and this momentum must be maintained if it is to avoid a boom-bust cycle of development,” says Mark Hutchinson, Chair of GWEC's South East Asia Taskforce. “Due to project timescales, a delayed FiT extension risks a “bust” period for the wind sector, wherein very few projects will be connected to the grid from 2022-2023. In the long run, this will jeopardise the cost reduction made possible by consistent, large-scale supply chain development, and ultimately result in less renewable energy at higher prices for Vietnam.”

At least 1.65 GW of wind projects is forecast to be installed before the current FiT expires in November 2021. Wind energy, as a clean, indigenous energy source, plays an important role in bolstering Vietnam's energy security and meeting its soaring electricity demand.

Moreover, the growing renewables sector could generate billions of dollars in investment capital and hundreds of thousands of jobs in the long term.

The Government of Vietnam is currently considering the FiT extension and the introduction of a new FiT scheme. The situation for the wind sector has now become critical, as the slowdown in investor interest in 2020 has been compounded by disruptions from the COVID-19 pandemic.

To date, Vietnam's wind market has benefited from increasingly strong flows of foreign and domestic capital. The 4 GW due to be installed by 2025 could generate up to 65,000 jobs and about 4 billion USD in investment.

To realise this potential, the Government of Vietnam must act now to extend the wind energy FiT scheme and avoid a prolonged slowdown of clean energy investment and installation in the years ahead, the council said.

GWEC is a member-based organisation that represents the entire wind sector. The members of GWEC represent over 1,500 companies, organisations and institutions in more than 80 countries, including manufacturers, developers, component suppliers, research institutes, national and regional wind and renewables associations, electricity providers, finance and insurance companies.

6. Airlines resume domestic routes

Domestic airlines have announced their plans to reopen many domestic routes after a halt triggered by the COVID-19 pandemic.

The newest carrier Bamboo Airways will resume the Hai Phong - Quy Nhon route from September 28 with a round trip per day.

Air routes linking Vinh with Da Lat and Hai Phong with Buon Ma Thuot will see four round trips per week, while three round trips will be operated a week on the Vinh - Buon Ma Thuot and Hai Phong - Pleiku routes.

Two airways connecting Hai Phong with Da Nang and Can Tho will be resumed from October 5, along with the Da Nang - Phu Quoc route.

The airline's flights connecting Can Tho with Hanoi, Vinh, Da Nang and Quy Nhon are set to take to the skies one week later.

Meanwhile, national flag carrier Vietnam Airlines recently announced to reopen six domestic routes from Hai Phong to Da Lat, Nha Trang and Buon Ma Thuot; from Da Nang to Da Lat and Buon Ma Thuot; and from Hai Phong to Da Nang at the start of next month.

A representative of the airline said it will resume other domestic routes in the coming time to help recover business operation and contribute to realising the Government's dual goals.

7. Roadmap recommended for offshore wind power development

The suggestion was presented at a workshop on recommended roadmap and policy for Vietnam to tap its offshore wind power potential, which was held by the two organisations in Hanoi on September 22.

According to a report at the function, Vietnam possesses a long shore and potential for 160 GW of wind power energy within a radius of 5-100 km from shore.

The workshop saw the presentation of researches that reviewed the potential, related transmission capacity, domestic supply chain, challenges and opportunities facing offshore wind power development, and experiences from successful countries, among others. Experts' recommendations on a roadmap for Vietnam in sector were also put on the table.

Outcomes of the event would be the income of the national master plan for electricity development for 2021-2030, which is being built by the Ministry of Industry and Trade (MoIT).

Hoang Tien Dung, Director of the Department of Electricity and Renewable Energy under the MoIT, affirmed that the Vietnamese Government is committed to sustainable energy growth.

He stressed Vietnam appreciates the consultations and recommendations from the DEA and the WB, which the official said are the country's traditional partners with experience in renewable energy.

Danish Ambassador to Vietnam Kim Højlund Christensen said offshore wind power is among the best green energy options for Vietnam, which he said will generate clean energy, help ease climate change impact, create jobs, and attract investment.

Denmark is willing to share its 30-year experience in the field with Vietnam, he affirmed.

Anton Beck, Head of the DEA's Division for Global Cooperation, offshore wind turbine is the strongest form of renewable energy, adding that an 8 MW-turbine is capable of meeting demand for electricity of 43,000 Vietnamese households for a year.

Since 2009, Denmark has provided over US$60 million in non-refundable aid for Vietnam in the fields of energy and climate change.

The third phase of the two countries' partnership cooperation programme in the energy field will begin in late 2020 and last until 2025, with the focus on offshore wind power.

Corporate News

8. FMC: Record date for EGM 2020

↓ -1.15%

On September 22, 2020, the Hochiminh Stock Exchange issued Announcement No. 1606/TB-SGDHCM about the record date of Sao Ta Foods Joint Stock Company as follows:

- Ex-right date: September 29, 2020
- Record date: September 30, 2020

1) Reason & purpose: to hold the 2020 Extraordinary General Meeting of Shareholders.

2) Content:

- Exercise ratio: 01 share – 01 voting right
- Meeting time: expected in October 18, 2020
- Meeting venue: km 2132, Highway 1A, ward 2, Soc Trang.

9. HSG: Information on purchasing the treasury shares

↑ 5.28%

On September 22, 2020, Hoa Sen Group announces the purchase of treasury shares as follows:

- Number of treasury shares before trading: 287,100 shares
- Number of shares registered to buy: 40,000 shares
- Purpose: to repurchase shares as treasury shares from the employees resigned in the stock issuance under 2017 ESOP.
- Expected trading period: from October 01, 2020 to October 30, 2020
- Trading method: to transfer rights via the Vietnam Securities Depository (VSD)
- Purchase price: VND 10,000/share.

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