



VIETNAM DAILY NEWS

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Market Analysis

1. Struggles forecast on ending earnings season, rally lock-in

The market will struggle in the coming days as the third-quarter earnings season is near its end and investors will try to realise their profits following recent rallies.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange finished last week at 940.30 points, marking its highest level since February 2020.

Despite some difficulties, the market was driven by the growth of banks, consumer firms and information-technology companies.

The banking sector expanded a total of 4.9 per cent last week with strong gains posted by Vietinbank (CTG), Techcombank (TCB), Asia Commercial Bank (ACB) and VPBank (VPB).

The banking sector was followed by the information and technology sector (up 3.0 per cent), consumer sector (up 1.9 per cent), materials (up 1 per cent) and utilities (up 0.5 per cent).

The IT and consumer industries were boosted by the large-cap firms FPT (FPT) and Masan (MSN), which gained total 4.7 per cent and 17.5 per cent, respectively.

On the opposite side, medicals and pharmaceuticals, services, industrials and oil and gas were four of the sectors that weighed on the market.

Despite the market growth, securities firms and analysts are getting pessimistic about the market's short term trend.

The VN-Index has kept its rally up for two and a half months and returned to its pre-pandemic level of 943 points.

“The market valuation is not cheap anymore, with the price-to-earnings per share (P/E) ratio at 14.5, therefore, gaining stocks will be targeted by investors that are hungry for profits,” Dinh Quang Hinh, director of macroeconomics and market strategy at VNDirect Securities Corp, told Viet Nam News.

“Profit-taking will mount in coming days and the VN-Index may struggle in the range of 940-950 points,” he said.

“Some large-cap stocks have suffered stronger profit taking but in the long term, the large-cap sector will still be very attractive, such as banks, securities firms, consumer companies and retailers amid the releases of third-quarter earnings reports,” Hinh said.

Sai Gon-Ha Noi Securities (SHS) said in its weekly note that the benchmark VN-Index has made gains in the last five straight weeks and the HNX-Index has rallied for 11 consecutive weeks.

Both Vietnamese and international markets have returned to their pre-pandemic levels, the company said. “For Vietnamese stocks, there is very little room for further growth.”

In addition, fear is growing among derivatives investors about the short-term outlook of the market after the VN30 futures due on November 19 closed last week lower than the large-cap index VN30, the company said.

Huge cash availability and upbeat sentiment are the two main reasons that have kept the market rally, Phan Dung Khanh, director of investment consultancy at Maybank Kim Eng Viet Nam Securities, told tinnhanhchungkhoan.vn.

The two factors help absorb the stocks dumped by investors' selling and they will continue lifting the market in the short term, he said.

“But in the long term, if there is not a necessary correction for local stocks amid the lack of good news on both international and local markets, there will be steep decline,” he warned.

The Vietnamese market is being driven by large-cap stocks only and that will do no harm to the market in the short term, Khanh added.

“In medium term, such growth is unsustainable,” he said.

Macro & Policies

2. Vietnam finance ministry pushes for speedier privatization of SOEs

With only seven state-owned enterprises (SOEs) being sold in the first nine months of this year, the Ministry of Finance (MoF) has proposed four measures to create breakthroughs in the process.

Firstly, the MoF expected leaders of SOEs and provinces and cities to take greater responsibility in realizing the privatization plan.

Secondly, there is a necessity to finalize the legal framework regarding the operation and management of SOEs, especially in the privatization and divestment processes.

Thirdly, the MoF would focus on drafting a proposal on SOE restructuring in the 2021 – 2025 period, with a focus on major state corporations to ensure greater efficiency in operation.

Fourthly, government agencies and localities should give priority to supporting SOEs during the privatization process while promoting transparency and efficiency in utilizing state funds at state firms.

From 2016 to September 2020, 178 SOEs had their privatization schemes approved with a total asset value of VND443.5 trillion (US\$19.1 billion), of which the state capital was estimated at VND207.1 trillion (US\$8.91 billion).

However, of these 178 SOEs, only 37 are from the list of 128 firms expected to be privatized by the end of this year under the instruction of Prime Minister

Nguyen Xuan Phuc, or 28% of the target, which means that the remaining 90 should complete the process in the final three months of the year.

The MoF said the privatization process in the January – September was behind schedule, making it highly unlikely to realize the target set by the PM.

Notably, SOEs subject to privatization in Hanoi and Ho Chi Minh City make up 54% of the total, including 13 in Hanoi and 38 in Ho Chi Minh City. The others include six managed by the Committee for State Capital Management (CSCM), four under the Ministry of Industry and Trade (MoIT), and two under the Ministry of Construction (MoC).

Meanwhile, in the first nine months of this year, SOEs divested a total of VND899 billion (US\$38.7 million) in book value for VND1.84 trillion (US\$79.5 million) in proceeds.

This resulted in an accumulated amount of VND25.66 trillion (US\$1.1 billion) in divested capital for VND172.9 trillion (US\$7.45 billion) in proceeds.

Due to complicated financial situations, some large SOEs are facing difficulties in determining their own values, including Vietnam Posts and Telecommunications Group (VNPT), Vietnam National Chemical Group, Vietnam National Coal – Mineral Industries (Vinacomin), telco MobiFone, the Vietnam Bank for Agriculture and Rural Development (Agribank), among others.

3. New FTAs puts logistics in limelight

Sydney-based growing logistics developer LOGOS last week announced completion of its first acquisition in Vietnam – a 13-hectare development site located in the northern province of Bac Ninh's Vietnam-Singapore Industrial Park. The move follows the establishment of LOGOS Vietnam Logistics Venture last month, which has an initial forecast portfolio of approximately \$350 million by gross asset value.

LOGOS' head of Vietnam Glenn Hughes said, "The long-term potential of the Vietnamese logistics market is supported by strong tailwinds, as companies seek to diversify their supply chains across multiple countries and further invest in technology within their facilities to meet the growing demand of e-commerce."

Similarly, TM Insight, an Asia-Pacific consulting company specialising in supply chain, property

advisory, and property management services, has recently acquired XAct Solutions, a supply chain and industrial property advisory firm based in Australia with a footprint across Asia, including Vietnam.

James Christopher, president of TM Insight Asia, told VIR, “As we look to expand in the region, Vietnam was identified as a key focus market as it is one of the fastest-growing markets in Southeast Asia and had the region's highest increase in the global market share in the past five years in manufacturing.”

Some of the solutions with which TM Insight plans to support businesses in Vietnam include diversifying sourcing. With Vietnam now becoming a location of choice for businesses seeking manufacturing capabilities outside of China, TM Insight sees the opportunity to work with businesses here to leverage this situation.

Most recently, South Korea's KCTC Vietnam Ltd. also tied up with Tan Cang Cai Mep Container Terminal JSC (TCCT) to develop the port warehouse and logistics industries in Vietnam. Established in 2008, KCTC Vietnam is a foreign-invested enterprise with 49 per cent South Korean funding. The company focuses on multimodal transport business, good storage, as well as cargo handling, warehousing, and logistics consulting services.

“With over 12 years of experience in logistics services, KCTC Vietnam is aiming to become a centre providing the best logistics solutions to customers in Asia,” said general director of KCTC Park Hyun Bae.

Meanwhile, TCCT is a subsidiary of Saigon Newport Corporation, established in 2007. Put into operation in 2009, TCCT is Vietnam's first deep-water seaport, capable of receiving ships up to 160,000 deadweight tonnage. TCCT has teamed up with KCTC to handle Out of Gauge shipments in the Cai Mep port area. The new partnership is expected to pave the way for promising development for both firms in logistics.

In August, the International Finance Corporation, a member of the World Bank Group, provided a financing package of \$70 million to Vietnam's Indo Trans Logistics Corporation (ITL) in an aim to support the development of the logistics sector, thus facilitating trade and enhancing the competitiveness of the country's economy during COVID-19.

This funding will help ITL transform and grow by acquiring new assets, developing new warehouses and facilities, and deploying advanced information technology systems.

Likewise, some European investors are keen on developing a \$1-billion logistics complex in the southern province of Ba Ria-Vung Tau to capitalise on the growing trade demands from the entry of the EU-Vietnam Free Trade Agreement.

At last month's meeting with Prime Minister Nguyen Xuan Phuc, the Netherlands' Ambassador to Vietnam Elsbeth Akkerman and Belgian Ambassador to Vietnam Paul Jansen said that they both support the project, which will help enhance cooperation and investment between the EU and Vietnam.

Julien Brun, managing partner at CEL Consulting, told VIR that this is a very favourable time for Vietnamese logistics investment, with Vietnam still set to enjoy economic growth in 2020 while all other countries in ASEAN are going to face recession.

According to Brun, when industrial production volume grows, logistics needs to absorb this increase of volume. Furthermore, as industries mature, the need for more advanced logistical solutions becomes critical as a way to optimise cost.

“A good example is the cold chain where seafood manufacturers have to show that not only manufacturing is compliant to international norms, but also the whole supply chain. Traceability can only happen with modern logistics as it requires to record every single transfer from raw materials to final consumer. Without proper IT infrastructure, this traceability cannot happen,” Brun said.

Brun also pointed out that more manufacturers are willing to outsource their logistics to third-party logistics companies. As logistics is very demanding from an operational standpoint, it becomes quickly more cost-efficient to delegate the logistics operations to a specialised company. “With all these factors added together, logistics is a very safe industry to invest in as volume, service quality requirement, and outsourcing trends add up together, providing investors a very positive outlook,” he concluded.

4. Viet Nam to become the 4th largest economy in Southeast Asia: IMF

This is revealed in the International Monetary Fund (IMF) World Economic Outlook released on Tuesday.

Accordingly, Viet Nam is the only country in Southeast Asia which is forecasted to have positive growth this year, at 1.6 per cent and will reach 6.7 per cent by 2021.

IMF forecasts Viet Nam's economy will rank fourth in Southeast Asia this year, surpassing Singapore and Malaysia.

Specifically, the country's GDP is estimated to reach US\$340.6 billion, exceeding Singapore with \$337.5 billion and Malaysia with \$336.3 billion.

Meanwhile, Thailand's GDP will reach \$509.2 billion this year, the Philippines \$367.4 billion, and Indonesia \$1.088 trillion.

For GDP per capita, the IMF forecasts that Viet Nam's GDP per capita ranks sixth in ASEAN, reaching \$3,497 per person this year, followed by the Philippines with \$3,372, Laos \$2,567, Cambodia \$1,572 and Myanmar \$1,332.

Overall, the average growth forecast for ASEAN-5 member countries including Indonesia, Malaysia, Philippines, Thailand and Viet Nam will decrease by 3.4 per cent, while that of Asian emerging and developing countries will decrease by 1.7 per cent.

China continues to be the only major economy expected to grow, reaching 1.9 per cent this year and up to 8.2 per cent by 2021. For the US, the IMF forecasts that the country's GDP will decrease by 4.3 per cent this year.

Economies of France, Italy, the UK and Spain are forecasted to decrease by about 10 per cent. For Europe, the figure is 8.3 per cent.

IMF revised the global GDP forecast to fall by 4.4 per cent this year, and will be up to 5.2 per cent by 2021.

The baseline projection assumes that social distancing will continue next year but will subsequently fade over time as vaccine coverage expands and therapies improve. Local transmission is assumed to be brought to low levels everywhere by the end of 2022.

"We were projecting a somewhat less severe though still deep recession this year, relative to our June forecast," said Gita Gopinath, IMF's economic counsellor and director of research.

"Moreover, recovery is not assured while the pandemic continues to spread. With renewed upticks in COVID-19 infections in places that had reduced local transmission to low levels, reopenings have paused, and targeted shutdowns are being reinstated. Economies everywhere face difficult paths back to pre-pandemic activity levels," she noted.

5. Online exports require professionalism

The COVID-19 pandemic has heavily affected business operations. But there are still opportunities for businesses to use online channels to deeply participate in the global supply chain, as most buyers in the world are searching for products through search engines or e-commerce platforms.

Tran Xuan Thuy, Amazon Global Selling Viet Nam's country director, said the world's e-commerce revenue would reach more than US\$3.3 trillion in 2020. By 2022, the growth rate of e-commerce would exceed the growth rate of offline sales.

He added that on the Amazon platform, there are small and medium enterprises in Viet Nam starting with only two people, now exporting goods to 30 countries, and opening 4-5 factories in the country.

A representative from Thach Ban Group specialising in construction material production said their export volume used to account for only 5-7 per cent. However, online exports helped their volume increase to 13 per cent in 2019.

Vu Tu Thanh, deputy director of the US-ASEAN Business Council (USBAC) said the application of technology platforms in Viet Nam's exports has made remarkable progress in comparison with countries around the region.

He said he was surprised to find Thailand's application of e-commerce in exports was not as high as Viet Nam because their physical trade is good. So, the motivation for conversion is not as much as in Viet Nam. This is an opportunity to boost exports of Vietnamese products all over the world.

Vu Tien Loc, chairman of Viet Nam Chamber of Commerce and Industry (VCCI), said previously, import and export activities were only for large-scale enterprises with high economic and financial potential. They became big firms thanks to imports and exports and dominate many fields of production and business. Today, online exports have completely changed this trend. Micro and small businesses also have an equal opportunity to reach global trade.

However, participation in this new global supply chain also faces many limitations and risks, becoming a barrier for Vietnamese consumers. Both buyers and sellers have difficulty in language and business culture. In particular, buyers often have difficulty in international payments as the number of Vietnamese people with international payment cards such as Visa and Mastercard remains low.

In addition, there are risks with billions of diversified products, designs, quality and reputable sellers on international e-commerce sites.

They said local firms should build a professional sales team to serve foreign customers.

Before making a big trade decision, it is necessary to seek legal advice, as well as ensure consistent and strict contract terms. This will help businesses avoid risks and fraud.

Hoanh Manh Hue, chairman of the Union of Vietnamese Business Associations in Europe, said Vietnamese firms have many strengths when joining the Viet Nam – EU Free Trade Agreement (EVFTA). Enterprises transforming to e-commerce sales are required to transform business forms, building a professional sales team from packaging to interacting with customers.

Dang Hoang Hai, director of Viet Nam's e-Commerce and Digital Economy Agency under the Ministry of Industry and Trade (MoIT), said it is not easy to build a legal framework for cross-border activities, even in countries with advanced legal systems.

The ministry is building a legal framework for products with advantages then gradually adjusting to suit the market. Policies facilitating firms in implementing e-commerce would continue to be built together with forums and exhibitions to promote exports.

6. Trade probes against Vietnam exports double in 9 months

New trade probes against Vietnamese exports during the first nine months of 2020 doubled to 32 from 16 recorded in the same period of last year, according to the Ministry of Industry and Trade (MoIT).

To date, Vietnamese goods and products are subject to a total of 200 trade probes, in turn affecting a trade turnover of nearly US\$12 billion.

The MoIT said at a time when the Covid-19 pandemic is causing severe impacts on the global economy, trade tensions among economies have escalated and resulted in excessive use of trade protection measures.

Notably, most of Vietnamese exports that are under trade probes are the country's staples, including metal, fiber, seafood, construction materials, and chemicals, among others.

The MoIT informed 62% of the number of trade probes against Vietnam's exports are from the US, India, the EU, Turkey, Canada and Australia. Meanwhile, ASEAN countries have also been active in adopting trade protection measures, accounting for 20% of the total.

In this context, the MoIT has been providing support for local enterprises in protecting their lawful rights in international trade.

The MoIT has set up an early warning system to provide information for enterprises with list of goods facing high risk of trade protection measures.

During the investigation process, the MoIT would continue to request foreign authorities to treat

Vietnam's exporters in a fair and transparent manner, which fully comply with WTO regulations.

The MoIT also informed that Vietnam successfully appealed in 65 out of 151 closed cases, or 43% of the total.

7. Better policies needed to overcome impacts of pandemic

At a seminar on policies to overcome the impact of the pandemic held by the National Economics University and other partners, rector of the university and economist Pham Hong Chuong said: "The Government should implement more drastic measures to increase the resistance of the economy."

Chuong added: "The country needs to prepare capacity to respond to the pandemic and have a quick economic recovery when the virus is controlled, preventing a decline into recession."

Although local authorities have provided timely and flexible packages to help people and the economy stay safe amid the pandemic, Nguyen Minh Son, deputy chairman of the National Assembly's Economic Committee, said difficulties in disbursement were still preventing people from accessing the support.

"It is necessary to evaluate the disbursement rate of the support package, clarify the causes of slow implementation in some places and offer solutions."

The number of enterprises temporarily suspending operations reached 34,300 in the first nine months of the year, up 70.8 per cent from the same period last year. In September, about 17.6 million workers had their incomes reduced, of which 2.4 million lost their jobs while the unemployment rate was reported to be the highest in 10 years.

Bui Duc Tho, vice rector of the university, urged the Government to give more support for businesses and local producers, adding: "Support policies should be clear and transparent, minimising the procedures to access them."

Tho said small and medium enterprises should receive more attention due to the poor resilience of this type of business amid the pandemic, mentioning

there were thousands of small firms in tourism and service industries that had to shut down as they ran out of capital.

Attending the seminar, economist Vo Tri Thanh said the effectiveness of the first support package was low, adding: "I'm very concerned that the second support package that should have been launched in September is not yet ready."

Participants at the seminar said while the tourism industry and related sectors such as transport, restaurants and services suffered due to declines in international visitors, information and technology; electronic equipment and accessories, logistics, e-commerce, consumer goods and retail saw good growth.

Son from the National Assembly's Economic Committee said the FDI flows were shifted from processing, manufacturing and real estate to technology and retail as the country was one of the most attractive for investment.

However, he added: "To compete with other countries in the region in attracting FDI, Viet Nam needs clear orientations and solutions in both the short and long term."

Son said: "Solutions are needed to increase productivity and attract investment from the private sector and high-quality FDI, increase exports, public investment and domestic consumption."

As economist Vo Tri Thanh said: "Expectations for the second support package are huge."

Participants from ministries, departments, central branches, international organisations, universities and economists discussed important issues and suggested policies and economic development

models to overcome the impacts of the pandemic in Ha Noi.

They also forecast the opportunities and challenges for the local economy in the last months of 2020 and next year.

Corporate News

8. KSB: Stock issuance to pay dividend

↑ 2.48%

On October 14, 2020, Binh Duong Mineral and Construction Joint Stock Company announces the stock issuance to pay dividend as follows:

- Stock name: Binh Duong Mineral and Construction Joint Stock Company
- Stock code: KSB
- Stock type: common share
- Par value: 10,000 dong
- Number of shares issued: 53,779,882 shares
- Number of outstanding shares: 53,444,482 shares

- Number of treasury shares: 335,400 shares
- Number of shares expected to be issued: 10,688,896 shares
- Total value (based on par value): 106,888,960,000 dong
- Issuing ratio: 20% (10:2)
- Record date: October 28, 2020
- Plan to deal with fractional shares: The distributed shares will be rounded down to dozen, the fractional shares due to rounding down will be cancelled.

9. SSI: SSI sets up Vietnam Growth Investment Fund with 2 foreign partners

↑ 0.00%

They include CT Bright, Charoen Pokphand Group's flagship investment platform, and Mercuria Investment Co., LTD, an investment management company in which Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank are the major shareholders.

VGIF will invest around US\$150 million in private companies.

Its main investment focuses will be consumers goods and other sectors in which Viet Nam has competitive advantages, mainly essential industries that have many growth factors like attractive support policies like food and beverage, retail, medicine/health, energy, and water.

In addition to capital contribution, the three founders will also co-ordinate in all aspects such as management of fund operations, capital

mobilisation, enterprise appraisal, and investment decision making.

SSIAM is responsible for finding, approaching and negotiating investment opportunities and participate in the management of the investee enterprises.

Speaking at the online signing ceremony, Le Thi Le Hang, CEO of SSI Fund Management Company, said: "2020 has been a memorable year for SSIAM as we successively established new funds such as SSIAM VNFIN LEAD ETF, SSIAM VN30 ETF and the upcoming Private Equity Fund - VGIF.

"With the growing economy and increasingly diversified investment needs, with a longer-term vision, we believe that VGIF will achieve great success."

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