VIETNAM DAILY NEWS

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Market Analysis

1. Shares gain for third day in a row

Shares gained for a third day in a row on Thursday thanks to the growth of energy stocks.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) gained 1 per cent to close at 983.26 points.

The index had climbed 3.4 per cent in the last three sessions.

More than 290 million shares were traded on the southern exchange on Thursday, worth VND10.7 trillion (US$250 million).

Market breadth was positive with 254 gainers and 176 decliners.

The VN30 Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, rose 0.77 per cent to end Thursday at 944.92 points.

Investment cash flow continued to spread into the market, said BIDV Securities Co.

"The market liquidity maintained an uptrend, the positive market amplitude and widening market breadth reflected the excited investors' trading sentiment," the company said.

"Foreign investors maintained their net buying trend and focused on large-cap stocks such as Vietjet (VJC), Vinamilk (VNM) and Vietcombank (VCB)."

Foreign investors net bought VND399.28 billion on HOSE. They were net sellers on the HNX with the value of VND19.75 billion.

Oil stocks gained ground thanks to the injection of cash flow, including PetroVietnam Gas JSC (GAS), Viet Nam National Petroleum Group (PLX), PetroVietnam Drilling & Well Services Corporation (PVD), PetroVietnam Power Corp (POW), and PetroVietnam Technical Services (PVS).

Large-caps also performed well with Sabeco (SAB) increasing by 5.5 per cent to VND193,700 per share, Vietcombank (VCB), rising by 3 per cent to VND90,200 per share, insurer Bao Viet Holdings (BVH), gaining by 2.9 per cent to VND56,900 per share and VPBank (VPB), rising by 2.4 per cent to VND25,500 per share.

Across the stock market, 19 out of 25 sectors indices gained ground, including energy, construction materials, plastics and chemical production, wholesale, insurance, securities, healthcare, food and beverage, real estate, banking and insurance.

On the other side, agriculture, seafood processing, and construction lost ground.

On the Ha Noi Stock Exchange, the HNX-Index gained 0.04 per cent to 146.85 points.

It had increased 0.15 per cent to close Wednesday at 146.8 points.

More than 65.9 million shares were traded on the northern exchange, worth VND1.1 trillion.

Macro & Policies

2. Construction materials market flourishes again

Many business and construction materials shops are preparing supplies to meet the needs for the peak construction season of the year. Items such as steel, bricks, tiles, sanitary wares are selling well.

With a wide range of models, good quality and reasonable prices, locally made construction materials are increasingly capturing the domestic market, according to traders.

Owners of building materials shops on Tô Hiến Thành Street in District 10 said that prices of most construction materials have not increased, and some even reduced to boost sales.

Currently, locally made floor tiles are priced from VNĐ80,000 (US$3.4) to VNĐ250,000 ($10.7) per square metre depending on brands, while those imported from Malaysia, Italy, and Spain range from VNĐ400,000 ($17.1) to VNĐ1.3 million ($55.6) per square metre.

Paint manufacturers are offering attractive discounts to agents and customers, while lighting and decorative lamps have seen prices discounted by 30-40 per cent.

Unlike previous years when the construction materials prices usually increased significantly in the final months of the year, prices this year have been rather stable or have even fallen.

Cement prices, for instance, have fallen by VNĐ70,000-100,000 per tonne to VNĐ1.1 million-VNĐ1.27 million per tonne depending on brands. Traders attributed the fall in cement prices to supply outstripping demand.

Iron and steel prices are forecasted to remain unchanged until the year-end, they said.

According to experts, demand for construction materials usually spikes near year-end when developers speed up construction of housing projects and people renovate their houses to welcome the Lunar New Year.

In addition, ministries, agencies and localities are speeding up the construction progress of public investment projects in order to disburse public investment capital on schedule as directed by the Prime Minister.

Export increase

Despite difficulties, the steel industry exported nearly seven million tonnes of iron and steel for a value of $3.65 billion in the first nine months of the year, a year-on-year increase of 44.4 per cent in volume and 16 per cent in value.

China was the largest buyer of Vietnamese iron and steel, accounting for 36.2 per cent of total export volume and 28.5 per cent of total export revenue, followed by Cambodia and Thailand.

According to the Ministry of Industry and Trade, in the first nine months of 2020, the cement industry exported over 28 million tonnes of products, earning $1.03 billion compared to 23.24 million tonnes and $973 million in the same period last year.

"Compared to the same period in 2019, cement and clinker exports have increased by nearly 21 per cent in volume and 6.2 per cent in value. The increase here was mainly driven by the rise in export volume, not the export price," a representative of the ministry said.

Cement firms will have opportunities to boost exports when many countries resume normal operations.

Việt Nam's steel exports to China are expected to increase since China has tightened policy that aims to shut down steel plants using outdated technologies.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the EU – Việt Nam Free Trade Agreement have opened export opportunities for the local steel industry in these markets, he said.

However, the steel industry has encountered fierce competition with imported steel products in the domestic market, experts have said, adding that the industry has also had to deal with trade remedy investigations in export markets.

Therefore, businesses need to regularly update information on the export situation and cooperate with authorities in handling of trade remedy investigations, they said.

To reduce risks, they suggested the steel sector to perfect its production process and improve its competitiveness. In particular, they need to form a closed manufacturing cycle from input materials to production, and gradually eliminate the use of imported raw materials.

3. Vietnamese đồng to strengthen in 2021: VNDirect Securities

The State Bank of Việt Nam (SBV) on October 30 set its exchange rate between the đồng and the US dollar at VNĐ23,201 per dollar, up 0.2 per cent year-to-date, while the exchange rate on the free market rose at a similar pace.

The đồng has been strongly supported by the higher trade surplus and foreign reserves, VNDirect said.

Việt Nam's exports increased by 4.7 per cent year on year in January-October despite the tightening of global trade amid the COVID-19 pandemic, while imports rose at a slower pace of 0.6 per cent on-year.

The rapid increase of exports and slow gain of imports made the 10-month trade surplus double last year's number to US$18.7 billion.

The country's reserves rose to US$92 billion in late August from around $80 billion at the end of last year. The figure is expected to reach $100 billion at the end of this year, according to the SBV.

The expansion of foreign reserves “should be supportive of the Vietnamese đồng” and the local currency should “remain stable at current level towards the end of 2020,” VNDirect said.

“The VNĐ may move within the range of 0.5 per cent on either side,” VNDirect forecast, adding there will be more upside risks for the đồng in 2021.

Among high upside risks that could affect the Vietnamese đồng in 2021 are central banks' money easing policies and the appreciation of the Chinese yuan, the company said.

With the Federal Reserve planning to keep its interest rates near zero per cent until at least 2023 and allow a period of higher inflation, the US dollar should remain weak in 2021, the brokerage said.

The Chinese yuan is projected to stay strong because the world's second-largest economy would continue to outperform others in 2021 and its trade surplus would widen, VNDirect said.

In addition, the strong recovery of the Vietnamese economy amid the COVID-19 pandemic would also be a factor that may boost the value of the đồng on global markets, VNDirect said.

A double-edged sword

A stronger Vietnamese đồng would encourage foreign capital to flow into Việt Nam, ease Việt Nam's dollar-denominated debt payment burdens, and temper the arguments over trade imbalance and currency manipulation with the US, VNDirect said.

In the first 10 months of the year, foreign direct investment (FDI) flowing into Việt Nam slowed down amid the COVID-19 pandemic.

According to the General Statistics Office, the disbursed capital of FDI projects in January-October slid 2.5 per cent on-year to $15.8 billion and registered capital of FDI projects dropped 19.4 per cent on-year to $23.5 billion.

In terms of foreign indirect investment (FII), foreign investors net-sold a total of $560 million worth of Vietnamese shares and assets in 10 months.

But in the future, the global economic and business environment may improve as the coronavirus spread has been contained well in some countries, such as Việt Nam.

Việt Nam would see the huge inflow of foreign capital in 2021 thanks to positive economic growth prospects and the relocation of manufacturing facilities from China due to the US-China trade war, VNDirect said.

"On the negative side, the strengthening of the VNĐ will slightly soften the competitiveness of Vietnamese exports, especially agriculture products, raw materials and unprocessed goods," the company said.

But if the Chinese yuan keeps growing stronger, the burden could be offset, VNDirect said.

"In addition, the strengthening of the VNĐ could make imported goods cheaper, thereby stimulating local consumer demand for imported goods and causing the trade surplus to shrink."

4. Vietnam's Q4 crude exports may turn lower as major customers slash refinery runs

Vietnam has registered relatively healthy crude exports to date this year as its main customer China took full advantage of low crude prices to aggressively stock up on refinery feedstock during the second and third quarter.

In January-October, Vietnam exported 4.169 million mt, or 100,201 b/d, of crude oil, up 23% from the same period a year earlier, according to latest data from Vietnam Customs.

However, the recent cutback in China's refinery crude runs, on top of a rapid slowdown in feedstock purchases from Australian refineries, could put the brakes on Vietnam's crude sales in the international spot market, refining industry and trading sources said.

Vietnam exported 270,006 mt (63,843 b/d) of crude in October, down 44.6% year on year and 35.3% lower than September, customs data showed.

Vietnam's crude exports could fall to around 1.13 million mt in Q4, down 20% from Q3, according to low sulfur crude and condensate traders based in Singapore and Ho Chi Minh City surveyed by S&P Global Platts.

China's state-run refiners are regular buyers of medium and heavy sweet Vietnamese grades including Su Tu Den, Ruby, Dai Hung and Bach Ho. However, they cut their average run rate to around 78.9% in October, which marked the third consecutive monthly drop from a six-month high of 83.1% in July.

The reduction was due to scheduled maintenance at a few Sinopec and PetroChina refineries, while others were reluctant to boost run rates to make up for the drop amid gloomy domestic and international demand, Platts earlier reported.

The growing possibility of more refinery closures in Australia could also significantly curb Vietnam's crude exports in upcoming trading cycles, as Oceania refiners are important customers of light and medium sweet Vietnamese grades like Chim Sao and Thang Long.

BP Australia said on Oct. 30 that it plans to shut its 146,000 b/d Kwinana refinery in Western Australia and convert it to a fuel import terminal. Australia's 120,000 b/d Geelong refinery is also mulling closure, following a $49.4 million loss in the first half of 2020, Platts reported previously.

Meanwhile, Ampol, formerly Caltex Australia, had announced in October the start of a "comprehensive review" of its Lytton refinery as a prolonged period of poor refining margins and an uncertain outlook threaten the closure of the 109,000 b/d facility.

"Apart from Chinese importers, Australian refineries are key customers for Vietnam. Their (Australian refiners') financial struggles could seriously hurt our international sales," said a trading account manager at state-run PetroVietnam.

In addition, increased domestic requirements could further limit Vietnam's crude exports as the country's 130,000 b/d refinery at Dung Quat -- the only consumer of domestic crude oil -- resumed operation in mid-October following a planned maintenance from early August to late September, refining industry sources with knowledge of the matter said.

Price differentials for Vietnam's flagship export grades Bach Ho and Su Tu Den have come off by more than $1/b since Q3. Bach Ho crude was assessed at an average premium of 33 cents/b to Dated Brent to date in Q4, compared with $1.43/b in Q3, Platts data showed.

5. IMF raises Vietnam GDP forecast to 2.4% in 2020, among world's highest

Thanks to Vietnam's swift actions to contain the health and economic fallout of Covid-19, the International Monetary Fund (IMF) has revised up the country's growth this year to 2.4%, among the highest in the world, from its previous forecast of 1.6%.

The finding was revealed following a virtual mission from an IMF team led by Era Dabla Norris during October 15 – November 13, to conduct discussions for the 2020 Article IV consultation with Vietnam.

The team exchanged views with senior officials of the State Bank of Vietnam (SBV), the Ministry of Finance (MOF), the Central Economic Commission (CEC), the Ministry of Planning and Investment (MPI) and other government agencies. It also met with representatives from the private sector, think tanks, academia and financial institutions.

"The fiscal response has been largely geared towards supporting vulnerable households and firms and has benefited from prudent policies adopted in the past. Monetary policy easing and temporary financial relief measures by the SBV have alleviated liquidity pressures, lowered the cost of funding, and facilitated continued flow of credit," stated Norris at a statement.

"A strong recovery is expected in 2021. Growth is projected to strengthen further to 6.5% as normalization of domestic and foreign economic activity continues," Norris noted.

"Fiscal and monetary policies are expected to remain supportive, although to a lesser extent than in 2020. Inflation is expected to remain close to the authorities' target at 4%," she added.

Fiscal support should be extended into 2021

Nevertheless, the outlook is subject to substantial uncertainties stemming from possible renewed outbreaks, a protracted global recovery, ongoing trade tensions, and corporate distress, which could translate into firm closures and bankruptcies, labor market and banking system strains, the head of the IMF team asserted.

Given these uncertainties, flexibly adjusting the size and composition of the policy support will be important. Fiscal policy should play a larger role in the policy mix, Norris asserted.

According to Ms. Norris, this year, the fiscal deficit is expected to widen due to a decline in revenues and higher cash transfers and capital spending. Fiscal support should be maintained in 2021, with improving efficiency in execution as priority. Over the medium-term, the emphasis should be on mobilizing revenue for financing green and productive infrastructure, strengthening social protection systems, and safeguarding debt sustainability.

Moreover, monetary policy should remain supportive in the near term. Greater two-way exchange rate flexibility within the current framework would reduce the need to build reserve buffers and facilitate the adjustment to a potentially more challenging external environment.

"The mission welcomes the authorities' commitment to gradually modernize its policy frameworks," she added.

The IMF said the SBV has struck an appropriate balance between supporting the recovery and banking system resilience. Close monitoring of risks in the banking sector remains crucial given that capital buffers are weaker than regional peers and uncertainties associated with the outlook.

Non-performing loan (NPL) recognition and loan classification rules should be gradually normalized to support balance sheet transparency and confidence in the banking system. Banks' capital positions need to be further strengthened and capital markets developed to improve financial resilience and promote long-term financing.

The IMF also noted reforms is essential to reduce economic dualism between the domestic and FDI sectors and lift productivity are crucial to support robust and inclusive growth.

Additionally, continued efforts to remove structural distortions and improve the business climate are welcome.

Priority should be given to reducing the regulatory burden faced by domestic private firms, improving access to land and financial resources, particularly for SMEs, and reducing corruption. Establishing an expedited SME-specific insolvency regime would help unlock capital and prevent unnecessary liquidations. Reducing labor skill mismatches, increasing human capital and technology access would also boost labor productivity.

6. Tax from e-commerce increases

Specifically, the total amount of tax paid by Vietnamese organisations that had signed online advertising contracts with foreign organisations and paid on behalf of those firms reached VNĐ46.86 billion (US$2 million) in 2016.

That amount increased to VNĐ90.48 billion in 2017, VNĐ151.77 billion in 2018 and more than VNĐ1 trillion last year. In the first nine months of this year, the tax paid hit VNĐ745.6 billion.

Vũ Mạnh Cường, director of the Inspection Section under the General Department of Taxation, said these results showed that tax administration for e-commerce activities had become increasingly focused.

The General Department of Taxation had directed tax departments, especially those in big cities such as Hà Nội and HCM City, to review and request taxpayers to register, declare and fulfill tax obligations towards the State.

Đặng Ngọc Minh, deputy director of the General Department of Taxation, said one of the key tasks for tax agencies was to strengthen inspections for the e-commerce sector.

Vũ Mạnh Cường, director of the Inspection Section under the General Department of Taxation, said that due to their specific nature, e-commerce business activities took place mainly in big cities such as Hà Nội and HCM City.

Therefore, the general department had directed the cities to actively co-ordinate with commercial banks to control cash flow from overseas organisations and individuals, and strengthen inspections to combat losses to State budget revenue from e-commerce business activities, he added.

In Hà Nội, since 2017, the tax department has reviewed and sent SMS notifications to 13,422 Facebook accounts involved in online sales. Up to now, over 2,000 individuals have registered and been issued with a tax identification number they use to declare and pay taxes. The total taxes and fines collected from this type of business totalled more than VNĐ22.7 billion.

For organisations and individuals with incomes from foreign social networks (Google, Facebook, YouTube), through data from joint-stock commercial banks, there were more than 18,300 back accounts holding VNĐ1.46 trillion, said Cường.

The General Department of Taxation was currently co-operating with the State Bank of Việt Nam to collect data for accounts with cross-border transactions, he added.

At the same time, the tax sector had trained inspectors on anti-transfer pricing, said the director.

In the coming time, they would focus on providing professional guidance to all officers engaged in inspections to conduct electronic supervision for 63 tax departments, said Cường.

7. EU's biggest beef exporter eyes Vietnamese market

The European Commission and the Irish Food Board (Bord Bia) will introduce the beef and pork products of Ireland and the EU to Vietnamese customers through the "Love Favor, Believe in Quality" program.

The program will feature an online seminar on November 19 to introduce the farming, storage and processing steps of meat from the EU. Cooking recipes created by famous chefs will also be introduced at the event, Nguoi Lao Dong Online reported.

The EU meat industry is regulated to comply with the EU's food safety regulations, which are considered the most stringent ones in the global market, according to Bord Bia.

The EU ensures that customers are supplied with high quality beef and pork and can trace the origin of the products. As such, EU's meat manufacturing industry always dominates top positions in the world.

The EU is the world's third biggest beef producer, with some 7.5 million tons each year. Ireland is the EU's largest beef exporter, with the value and volume reported at over 2.1 billion euros and 0.56 million tons in 2019.

At the World Steak Challenge 2019, Ireland won 75 medals, surpassing the United States, Australia, New Zealand and other countries in the European Union. The Irish Angus steak was also crowned the "World's Best Fillet".

In addition to beef export, in 2019, Ireland shipped 300,000 tons of pork worth one billion euros to many markets, including Vietnam. However, the country has yet to officially export beef to the Vietnamese market to date.

Corporate News

8. PDR: Notice of bond redemption (the 9th issue of 2019)

↑ 1.55%

Phat Dat Real Estate Development Corp announces the redemption of all bonds in the 9th issue of 2019 as follows:

- Issuer: Phat Dat Real Estate Development Corp
- Bond code: TP.PDR.11.2019
- Par value: VND100,000,000/bond
- Bond term: 01 year
- Issue date: November 15, 2019
- Maturity date: November 15, 2020
- Issue volume: 1,100 bonds
- Outstanding volume: 550 bonds
- Redemption volume (at par value): 550 bonds
- Trading date: December 16, 2020
- Remaining volume after redemption: 0 bonds.

9. HSG: BOD resolution on holding AGM

↓ -1.31%

On November 18, 2020, the BOD of Hoa Sen Group approved the holding of Annual General Meeting of Shareholders for the fiscal year 2020 – 2021 as follows:

- Meeting time: 8:30, January 21, 2021
- Meeting venue: 135 Nam Ky Khoi Nghia, Ben Thanh Ward, district 1, Hochiminh.
- Record date: December 08, 2020.

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