



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index falls, hit by market-wide selling

Vietnamese shares tumbled on Thursday as profit taking pressure increased strongly in the afternoon trading session following the market's recent rally.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange dropped 0.79 per cent to 1,030.91 points.

The index gained as much as 0.48 per cent during the day.

The benchmark gained 0.96 per cent on Wednesday.

Mounting profit-taking pushed local stocks down and resulted in a negative market breadth.

More than 320 stocks on the southern bourse declined while 123 stocks increased.

The large-cap tracker VN30-Index slipped 0.97 per cent to 994.28 points.

The VN30 futures due on December 17 fell 0.59 per cent to 1,002 points on Thursday.

Twenty-two of the 30 largest stocks by market capitalisation and trading liquidity in the VN30 basket declined.

Only eight large-caps rose.

Among the declining large-cap shares were Phu Nhuan Jewellery JSC (PNJ), Thanh Thanh Cong-Bien Hoa Sugar JSC (SBT), steel producer Hoa Phat (HPG), Sacombank (STB), PetroVietnam Gas (GAS), and HDBank (HDB).

PNJ dived 6.9 per cent while others declined by 1.8-2.9 per cent.

In addition, mid-cap and small-cap stocks succumbed to the rise of selling pressure.

The two trackers lost 1.26 per cent and 1.05 per cent, respectively.

Insurance, real estate, information and technology, pharmaceutical and healthcare, mining and energy, and materials were among the worst-performing industries on Thursday.

Those sectors' indices were down between 1.1 per cent and 2.4 per cent, according to vietstock.vn.

"Local stocks started struggling with profit-taking pressure after the market had logged a strong rally in recent weeks," Thanh Cong Securities Co (TCSC) said in its daily report.

"Investors are getting more cautious," the company said. "The VN-Index will continue going down in the next days as investors look to realise their profits."

More than 626.4 million shares were traded on the HCM City bourse, worth VND13.35 trillion (nearly US\$578 million).

The figure included more than 566 million shares being sold immediately, worth VND11.59 trillion.

On the Ha Noi Stock Exchange, the HNX-Index edged up 0.35 per cent to 159.30 points.

The northern market index rose as much as 1.48 per cent during the day.

The HNX-Index has risen a total of 7.85 per cent in the last eight trading days.

More than 83 million shares were traded on the northern bourse, worth VND1.05 trillion.

Macro & Policies

2. Growth goals remain on track as corona virus rears head

Prime Minister Nguyen Xuan Phuc last week ordered that all efforts must be made to control the pandemic and ensure the economy will grow 2.5-3 per cent this year.

“We must continue consistently implementing the dual task of combating the pandemic and recovering the economy. This task will not only be carried out in December, but also in the time to come,” PM Phuc stated.

The order was issued following the detection of a few new COVID-19 cases in Ho Chi Minh City, ending an 88-day streak without community infections.

The prime minister also ordered the halt of all inbound commercial flights, stating that the government will only allow repatriation flights for overseas Vietnamese people in the case of difficulties and genuine necessity. All passengers coming back to Vietnam have to be isolated for 14 days.

He also requested a halt to non-essential public activities and all crowded activities, if necessary, have to observe strict anti-viral measures. Social distancing must be applied in areas highly prone to COVID-19 – not all areas nationwide – to minimise impact on local production and business activities.

In order to spur on local production and business, the government asked the State Bank of Vietnam to direct commercial banks to offer preferential loans to firms, with efforts to be made to reach a credit growth rate of over 10 per cent. “Credit growth will help spur on local production and business activities,” the prime minister noted.

In order to support businesses, the Ministry of Planning and Investment, the Ministry of Labour, Invalids, and Social Affairs, and other relevant ministries and agencies are deploying a package to support the sectors of aviation and tourism which are the most seriously hit by COVID-19.

According to the World Bank, while the domestic economy appears to be on track for solid and broad-based recovery in 2020, continuing COVID-19 waves in the rest of the world could dampen Vietnam's growth prospects. The severe economic and livelihood losses due to recent natural disasters have also highlighted the need to build better and greener, and to make the economy and public finance more resilient to climate change. The bank forecast that Vietnam's economy may grow 2.5-3 per cent this year, with inflation to be kept below 4 per cent.

A few weeks ago, the International Monetary Fund (IMF) released a forecast on the economic outlook of the global economy in 2020, stating, “Thanks to Vietnam's swift actions to contain the health and economic fallout of COVID-19, growth this year is expected to be 2.4 per cent, among the highest in the world.”

The IMF also projected that this year the Vietnamese economy will rank fourth in Southeast Asia, with a scale of \$340.6 billion, bigger than that of Singapore (\$337.5 billion) and Malaysia (\$336.3 billion), and lower than that of Thailand (\$509.2 billion), the Philippines (\$367.4 billion), and Indonesia (\$1 trillion).

According to the World Bank, close attention should be paid to the capacity of the Vietnamese economy to firm up its recovery from the coronavirus crisis.

The bank said that on the one hand, near-elimination of restrictive and social distancing measures within the country as well as rising domestic demand fuelled by higher public investment and easing credit conditions should stimulate domestic economic expansion.

On the other hand, the deterioration of the health and economic conditions in the rest of the world may affect Vietnam's external sector. Also, severe life and economic losses due to the October storms highlight the need to make the economy and public finance more resilient to climate change.

3. Vietnam, UK conclude bilateral FTA negotiations

An agreement on concluding negotiations of the Vietnam-UK Free Trade Agreement (UKVFTA) will be signed on December 11, according to the Ministry of Industry and Trade (MoIT).

The deal is significant for both countries in the current context as it meets the demands of the two sides.

According to the MoIT, the FTA between the EU and Vietnam (EVFTA), which has been effective from August 1, will not be applied on the UK after December 31, 2020.

Both Vietnam and the UK hope to finalise the agreement as soon as possible to promote economic recovery after the COVID-19 pandemic. Meanwhile, the majority of the content in the UKVFTA are similar to those of the EVFTA, saving negotiation time for the deal.

The UKVFTA is expected to help boost tourism cooperation between the two countries, while encouraging partnership in other fields such as development cooperation, defence, security, culture, and education and training.

It also spreads a positive message of the bilateral relations, especially after their recent Joint Statement on bilateral cooperation vision on the occasion of the 10th anniversary of strategic partnership.

Vietnam and the UK set up diplomatic relations in 1973. Over the past 47 years, bilateral ties have unceasingly developed. According to the General

Department of Vietnam Customs, two-way trade reached 6.6 billion USD in 2019.

The UK has been the third largest trade partner of Vietnam in Europe after Germany and the Netherlands in recent years.

Vietnam mainly exports garment and textiles, footwear, wood and wooden furniture and seafood to the UK, while importing pharmaceuticals, machineries and equipment from the UK.

Due to impacts of the COVID-19 pandemic, as of the end of October, two-way trade reached only 4.7 billion USD, down about 15 percent, with Vietnam's exports to the UK hitting 4.1 billion USD, a decline of 14.19 percent year on year.

In the first eight months of 2020, the UK run 400 valid projects in Vietnam with total registered capital of 3.6 billion USD, ranking 16th among countries and territories investing in Vietnam.

However, the investment scale has yet to match the potential of the UK – one of the largest countries in terms of investing abroad with about 300 billion USD each year. The UKVFTA is expected to bring about more investment and cooperation opportunities for the two sides, supporting them in post-pandemic recovery.

Areas which the UK is strong in and Vietnam needs include renewable energy, consumer goods production, and greenhouse gas emission mitigation.

4. Phase VIII of Vietnam-Japan Joint Initiative to cover various matters

A range of issues, including those regarding working environments and the reform of State-owned enterprises and the stock market, will be included in the action plan for Phase VIII of the Vietnam-Japan Joint Initiative.

At a meeting in Hanoi on December 9, the two countries reached consensus on the content of the

action plan, which also covers matters relating to land and certain laws.

Deputy Minister of Planning and Investment Tran Duy Dong described the Vietnam-Japan Joint Initiative as a special, effective cooperative form implemented by the two countries for the last 17 years.

It is an important dialogue channel between Japanese enterprises and government agencies in Vietnam, he said, adding that all the 52 items in Phase VII have been completed or are underway.

Phase VIII is expected to contribute to perfecting Vietnam's investment and business environment and enhancing cooperation between the two countries, thus matching their potential and hopes, he said.

The large number of Japanese investors in Vietnam demonstrates their support for the country's efforts in improving the local business climate, Dong said.

Kazunori Sudo, Chairman of the Japanese Chamber of Commerce and Industry in Vietnam (JCCI), said

the initiative is a special cooperative mechanism in international cooperation, and highlighted its contribution to promoting bilateral ties.

According to Do Nhat Hoang, head of the Foreign Investment Agency at the Ministry of Planning and Investment, the joint initiative, launched in April 2003, has gone through seven phases, with 430 out of the 525 items being implemented on schedule.

Japanese representatives at the meeting raised recommendations to step up the bilateral relationship post-COVID-19, and touched upon investment plans in Vietnam by major Japanese businesses.

5. Corporate bond arena sharpens up for banks

Vietnamese banks are ramping up their foray into corporate bonds as a part of their portfolio diversification strategies. Particularly, debt issued by property companies has skyrocketed and accounted for a major share of lenders' investment, fuelled by interest rates that have remained low.

By the end of September, the amount of corporate bonds held by Techcombank was VND54.4 trillion (\$2.35 billion), up 79 per cent over the same period of 2019. These bonds account for 19.5 per cent of Techcombank's total credit balance.

Techcombank revealed to win a great bond fee of VND894 billion (\$38.87 million), up 165 per cent on-year in the first nine months of 2020 since the issuers ran before the effective date of Decree No.81/2020/ND-CP on September 1 on issuance of corporate bonds. Total corporate bond volume advised by the bank grew by 114 per cent on-year and total distribution volume to retail increased by 42.8 per cent on-year.

Credit growth achieved 9.2 per cent year-to-date at the end of the third quarter, from 3.5 per cent in the previous quarter thanks to a 41 per cent on-quarter growth in corporate bond investment.

Meanwhile, VietinBank recorded its profit from buying and selling investment securities, which corporate bonds play an essential role, after the first

nine months of 2020 reached VND640 billion (\$27.83 million), a sevenfold increase higher than the same period in 2019.

Mid-size lender Vietbank reported its profit from investment securities in the third quarter of 2020 hit VND177.26 billion (\$7.7 million), up 2.2 times.

Military Bank (MB) is also active in the field by doubling the value in its corporate bond portfolio to reach VND27.5 trillion (\$119.6 million).

SeABank also follows suit by tripling its corporate bond buying.

Accommodative monetary stance sustained the growth of local currency bond markets in the region, with currencies and equity markets gaining in early November.

"We saw an improvement in the global investment sentiment, but uncertainty over the trajectory of the coronavirus disease pandemic still weighs on the region's economic outlook," said Asian Development Bank (ADB) chief economist Yasuyuki Sawada. "The region's large and growing local currency bond markets can help finance a sustainable and inclusive post-pandemic recovery."

It is noted that banks are diversifying their portfolios amid difficult credit growth. However,

lenders' stepping up investment in corporate bonds also carries potential risks.

According to the ADB, a credible local rating agency is a key missing ingredient in Vietnam's corporate bond market. Furthermore, the ongoing pandemic remains the biggest downside risk to the regional bond market and the global outlook, particularly with the possibility of new waves of positive cases and related restrictions on economic activities. Ongoing trade tensions between China and the US are an additional risk.

On the other hand, the State Bank of Vietnam (SBV) is working on a draft circular that outlines that commercial banks are not allowed to buy corporate bonds in order to restructure debts of the issuers. The SBV cautioned banks which have bought corporate bonds for the purpose of debt restructuring would be at significant default risk of high-yield, or junk bonds. In addition, commercial banks are not permitted to purchase corporate bonds for the purpose of capital contribution or shares purchasing in other enterprises.

"This makes it difficult for banks to control the purpose of capital use, cash flow from bond issuance sources, and project implementation progress," the SBV representative noted.

Economist Nguyen Tri Hieu stated that lenders are ramping up their corporate bond purchases, especially real estate bonds. However, this is a group of businesses that are being warned by the local regulators. Holders of bonds issued by real estate providers might be left empty-handed if the realtors fail to pay back the debt.

There are, however, serious questions about the risks ahead due to this debt splurge, as the domestic corporate bond market, largely dominated by real estate providers, has been encapsulated with no collateral, no independent credit rating agencies, and no underwriter.

The Ho Chi Minh City Real Estate Association also warned that a majority of loans made to real estate firms, including bond purchases by both institutional and individual investors, may lead to a significant amount of non-performing loans. Moreover, local authorities should pay attention to consumer lending, especially when some people borrow money to buy properties instead of building and repairing their houses as contracted.

Market watchdogs question the consequences of a series of businesses not fulfilling their ability to pay bondholders, saying the market could continuously collapse, including real estate businesses and banks.

6. Housing loans dominate Vietnam real estate credit

Hoang Nam recently bought a VND2.4 billion (\$103,814) apartment in HCMC's District 9, borrowing 60 percent of the amount from a bank. He said he was motivated to buy by lower loan interest rates.

Most commercial banks have cut their interest rates for residential property loans by 1-2 percentage points since the beginning of the year to 7-11.5 percent a year as they seek to boost credit growth amid the Covid-19 pandemic.

A recent report submitted to the parliament by the State Bank of Vietnam (SBV), real estate credit of VND1,600 trillion accounts for over 19 percent of the total. Of this, more than 62 percent has been taken by housing loans.

In HCMC, real estate loans increased by 7.2 percent in the first ten months to over VND300 trillion, compared to overall credit growth of 5.5 percent during the same period.

Nguyen Khac Quoc Bao, head of the Fintech Institute at the University of Economics Ho Chi Minh City, said that the flow of credit into real estate was happening as investment in manufacturing and services reduces amid Covid-19 difficulties.

The rising prices of real estate in the last decades combined with Vietnamese people's high regard for real estate investment also explains why housing real estate account for a majority of the loans, he added.

However, some experts said this also raises the risk of increasing bad debt as had happened in the wake of the 2008-2009 economic crisis.

Economist Nguyen Tri Hieu said although Vietnam has been able to contain the Covid-19 outbreaks, commercial banks still need to show prudence in lending to prevent a rise in bad debt.

The central bank has been making some moves to reduce risks in real estate lending. One circular which took effect earlier this year increases the risk

factor for real estate loans, forcing banks to be more selective in issuing them.

However, several industry insiders have said that bonds issued by real estate firms could also see bad debts surge.

Deputy Director of lender Sacombank Phan Dinh Tue said although bond was a form of credit, some banks might not include it in their real estate credit reports, making it difficult for officials to track the correct real estate lending figure.

7. Fine logistics services facilitate Vietnam-EU trade: experts

Optimising quality of logistics services is a requisite measures to boost Vietnam-EU trade amidst the COVID-19 pandemic, experts said at the online business matching forum held on December 9.

Director of the Ministry of Industry and Trade (MoIT)'s Trade Promotion Agency Vu Ba Phu said Vietnam and the EU have enjoyed fruitful trade ties in the past time, particularly the EU-Vietnam Free Trade Agreement, which was signed in August, serves as a boon for trade development between the two sides.

However, the two-way trade faced formidable challenges due to pandemic, including expensive logistics services, and the EU's changes of administrative procedures in import-export and international goods management process.

In this context, Phu said logistics firms of both sides need to discuss cooperative opportunities, take advantage of each other's resources to optimise logistics services so as to better serve export and import enterprises.

The MoIT's competent agencies are working to create favourable conditions for import and export firms as well as logistics businesses, he stressed, adding Vietnam encourages local firms to invest heavily in uniform logistics infrastructure, enhance

connectivity of transport vehicles, and improve capacity to provide logistics services through digitalisation.

Meanwhile, deputy head of the MoIT's Foreign Trade Agency Tran Thanh Hai suggested EU firms plow into logistics infrastructure in Vietnam, participate in carrying out technology application in the field, and bolster training of logistics human resources and cooperation in urban logistics, circular logistics and green logistics.

Deputy General Secretary of the Vietnam Logistics Business Association Nguyen Tuong, for his part, laid stress on several challenges of Vietnamese logistics firms, including digital transformation, service quality, management skills, and human resources.

Senior Manager Supply Chain Solutions Asia of the Holland International Distribution Council (HIDC) Sjaak de Klein said HIDC stands ready to give consultation on supply chain for Vietnamese logistics firms.

Sharing logistics risk management while cooperating with EU enterprises, President of Club FrancoRisk Gilbert Canameras said as risks increase when the world changes, businesses should be well equipped with risk forecast systems.

Corporate News

8. HPG: Hoa Phat sees significant growth in steel pipe sale in November

↓ -2.34%

Leading steel manufacturer Hoa Phat Group sold 95,000 tonnes of steel pipes in November, a year-on-year increase of 31.2 percent.

The group also sold about 16,900 tonnes of galvanized steel sheet roll, up 135 percent against the same period last year.

It saw strong growth in steel sales in all three regions last month, with 34.2 percent recorded in the north; 33.7 percent in the south; and 17.8 percent in central Vietnam despite the fact that the region has been severely stricken by floods and storms over the last two months.

Ta Thanh Binh, head of the business division at Hoa Phat Steel Pipe Co., Ltd. – a subsidiary of Hoa Phat Group, attributed the sharp growth to the government's policies to boost public investment and high demand during the year end as it is the

peak time for developers to complete construction projects.

Additionally, the significant increase in global prices of construction materials in recent months was another contributor to the growth, Binh said.

Hoa Phat sold nearly 4.14 million tonnes of steel in the first ten months of 2020. Of the total, more than 2.7 million tonnes of construction steel were supplied to the market, up 28.6 percent year-on-year.

It exported 435,000 tonnes of ready-to-use steel in the period, double the volume in the same period last year.

In addition to construction steel, the Hoa Phat Dung Quat complex produced over 340,000 tonnes of hot rolled steel coil (HRC) in the first ten months.

9. VHC: BOD resolution on buying shares in Sa Giang

↓ -0.77%

The Board resolution dated December 08, 2020, the Board of Directors of Vinh Hoan Corporation approved to buy shares of the State Capital Investment Corporation (SCIC) in Sa Giang Import Export Corporation. Details are as follows:

- Issuer: Sa Giang Import Export Corporation
- Stock type: common share

- Par value: VND 10,000/share
- Buying volume: 3,565,759 shares (holding rate in Sa Giang: 49.89%)
- Transfer price: VND 97,500/share
- Total value of transfer: 347,661,502,500 dongs.

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