



VIETNAM DAILY NEWS

December 15th, 2020



Table of content

Table of content

1. Financial stocks boost markets
2. Increased goods transport via the skies on the cards
3. Automotive market enters year-end sales
4. Vietnamese garment and footwear surviving during the coronavirus
5. New shipping route allows faster transport of goods between HCMC and Australia
6. Viet Nam-UK announced conclusion of free trade talks
7. Consumer finance companies remain attractive acquisition targets
8. POW: Notice of EGM
9. VRE: Vingroup opens its 80th Vincom centre

Market Analysis

1. Financial stocks boost markets

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) was up 0.73 per cent to close at 1,064.49 points.

That was its highest score since late April 2018.

The VN-Index has increased by a total of 13.8 per cent in the six trading weeks since October 29.

Nearly 584.5 million shares were traded on the southern exchange on Monday, worth VND12.6 trillion (US\$546 million).

Market breadth was positive with 112 decliners and 343 gainers.

“The VN-Index increased positively from the beginning of the morning session to the end of the afternoon session and was now approaching the threshold of 1,065,” said BIDV Securities Co.

“Cash flow continued to increase as all sectors rallied. Meanwhile, foreign investors turned to be net sellers on the HSX but still net bought on the HNX.

“Market breadth was in a positive status and liquidity increased compared to the previous session. According to our assessment, the VN-Index will approach around 1,070 in the next trading days,” the company said.

Foreign investors net sold VND103.77 billion on HOSE. They were net buyers on the HNX with a value of VND3.17 billion.

The VN30 Index, which tracks the performance of the 30 largest stocks by market capitalisation and

liquidity on HoSE, rose 1.55 per cent to end Monday at 1,024.28 points.

In the VN-30 basket, 28 stocks increased while one declined.

Heavyweight stocks attracted cash flow, such as Bao Viet Holdings (BVH), PetroVietnam Gas JSC (GAS), Hoa Phat Group (HPG), Vingroup (VIC), Vinamilk (VNM), Vietjet (VJC), Vietnam National Petroleum Group (PLX), Vincom Retail (VRE), Vinhomes (VHM) and Mobile World Group (MWG).

Financial-banking stocks spearheaded the market uptrend with gainers of SSI Securities Incorporation (SSI), VNDirect Securities Co (VND), Vietinbank (CTG), VPBank (VPB), Techcombank (TCB), Tien Phong Bank (TPB), HDBank (HDB), Military Bank (MBB), Asia Commercial Bank (ACB) and Bank for Investment and Development of Viet Nam (BID).

As many as 23 out of 25 sectors on the stock market gained ground, including real estate, information and technology, healthcare, energy, agriculture and food and beverage, rubber production wholesale, retail, insurance, banking, securities and logistics.

Their indices rose between 0.08 per cent and 5.9 per cent, according to vietstock.vn.

On the Ha Noi Stock Exchange, the HNX-Index rose 2.11 per cent to close Monday at 165.74 points.

Nearly 93.4 million shares were traded on the exchange, worth VND1.5 trillion.

Macro & Policies

2. Increased goods transport via the skies on the cards

At the Vietnam Logistics Forum in Hanoi on November 26, the Vietnam Logistics Business Association (VLA) held a presentation on measures to reduce costs of logistics services and improve competitiveness, in which certain measures were proposed to develop freight by air and open direct international freight routes. This recommendation has been highly regarded for its feasibility.

The VLA's proposal is also consistent with the direction of the prime minister in the official Document No.7709/VPCP-CN dated September 15 on the study of an airline (Cargo Airlines) with a separate cargo fleet for Vietnamese agricultural products, for separate routes.

Currently, Vietnam has a great potential for exporting agricultural and aquatic products. In 2019, the total export turnover of Vietnam's agricultural and fishery products reached nearly \$25.5 billion.

Vietnam's air freights accounted for about 0.2 per cent of the total volume, but accounted for 25 per cent of the country's total export value due to high value commodities. Vietnamese agricultural products have been present in many major markets such as the US, China, the EU, Japan, South Korea, and others.

However, due to the specific nature of agricultural products, the use cycle is short, easily damaged, and seasonal, so air transport is an important solution to maintain markets and raise competitiveness.

Although the Vietnamese airlines are in the development process, they are still small in scale compared to other airlines elsewhere. Air freight is mainly focused on exploiting the belly of the passenger plane but has not yet invested in freighter aircraft.

Therefore, to develop air freight transportation and agricultural products in particular, we must have an airline with a separate cargo fleet for Vietnamese agricultural products, thereby contributing to cutting logistics costs.

According to statistics over the past 20 years, aviation growth has been closely linked with GDP growth. For every 1 per cent increase in GDP, aviation will increase by 1.5-2 per cent. Vietnam's GDP is forecasted to grow at least 6.7-6.8 per cent per year. Therefore, the aviation industry has great potential for growth and is one of the fastest-growing markets in Asia-Pacific.

In 2019, Vietnam's aviation market continues to have a high growth, reaching 1.5 million tonnes of cargo, an increase of 11 per cent compared to 2018. However, the pandemic has increased the pressure on aviation services.

Stemming from this, a number of leading VLA members established ASEAN Cargo Gateway JSC (ACG) in October. ACG is an air services company based in Ho Chi Minh City that provides loads, initially operating a consolidation service for charter freighters on the Ho Chi Minh City-Tokyo Narita route by A321CEO aircraft. Cargo capacity will be about 6,000kg in compartments and about 9,000kg in passenger cabins.

ACG will exploit other routes if successful. This is a breakthrough in face of today's difficult conditions. It is a need of the support from the business community importing and exporting agricultural products and seafood as well as logistics service businesses.

Working together and advancing together, we will definitely succeed in service of trade promotion for import and export of agricultural products and reducing logistics costs.

3. Automotive market enters year-end sales

Many special offers to stimulate demand

Having the most impressive and attractive discount right from the beginning of December is the

imported Subaru brand with the SUV Subaru Forester models. Specifically, the price of Subaru Forester i-L is listed at VND899 million, a decrease of VND229 million from the previous VND1.128 billion; that of Subaru Forester i-S is reduced from VND1.218 billion to VND1.029 billion, down VND189 million. Besides these discounts, Motor Image Vietnam, the exclusive distributor of Subaru vehicles and parts in Vietnam, also offers gifts, such as accessories and after-sales policies for customers, including free maintenance costs for the first 1,000 kilometers, on the occasion of the year's end.

Similarly, Honda has introduced a policy that when customers buy the Honda CR-V model, they will be exempt from car registration fees, equivalent to a reduction of VND100 million-VND134 million. Currently, car registration fee rates are applied from 10 percent to 12 percent, depending on each province and city. The price of the Honda CR-V is ranging from VND998 million to VND1.123 billion. Or for VinFast models, customers who buy Lux A 2.0 and Lux SA 2.0 cars will enjoy the new prices after deducting the car registration fees and gratitude gifts, worth at VND80 million for VinFast Lux A2.0 and VND120 million for VinFast Lux SA2.0.

Luxury cars, such as BMW, which specializes in exploiting the high-end segment, also sharply reduce their prices. Specifically, the BMW X7 model slashed VND800 million, BMW X4 decreased VND160 million, BMW X3 cut VND330 million, and BMW X2 lowered VND310 million. Even the newly-launched BMW 5-Series 520i version also declined by nearly VND200 million.

Besides discounts, many other special offers, such as gifts, warranty extensions, or loan support, are also carried out by many car manufacturers, namely Ford, Thaco, and TC Motor, for Mazda, Kia, Peugeot, and Hyundai models.

Regaining growth momentum

According to a report by the Vietnam Automobile Manufacturers Association (VAMA), total car sales in

October this year reached 33,254 vehicles, an increase of 22 percent compared to the previous year. Of which, domestically- assembled cars reached 20,498 vehicles, an increase of 15 percent compared to last month. The data shows that car consumption in October has regained growth momentum after nine consecutive months of decline. However, the total car sales from the beginning of the year to the end of October still decreased by 18 percent compared to the same period last year. A representative of VAMA said that due to the impact of the Covid-19 pandemic, although the automobile market did not grow as high as the previous years, it did not decrease much.

The number of car buyers in the year-end season is relatively high. Thanks to the stable economic situation, the purchasing power has gradually improved. On the other hand, many car manufacturers have also launched new models, with prices suitable for the majority of consumers and promotions. Therefore, the year-end market promises to continue to be vibrant, Mr. Nguyen Trung Hieu, Head of the Policy Subcommittee of VAMA, said optimistically.

However, there is also an opinion that the auto market is vibrant because of the high shopping demand before the Lunar New Year. Moreover, the desire to benefit from a reduction of 50 percent in the car registration fees for domestically-assembled cars, which will end after December 31, has also urged customers to rush to buy cars. As for imported cars, at present, because trade activities between Vietnam and some countries are still interrupted, they become rare, leading to increasing prices.

According to estimates, the total import turnover of completely-built-unit cars in the first eleven months of this year is estimated at 93,190 units, equivalent to more than US\$2.04 billion, down nearly 30 percent in volume and 31 percent in value over the same period last year. Currently, imported cars of familiar brands in the domestic market, such as Toyota and Ford, are scarce.

4. Vietnamese garment and footwear surviving during the coronavirus

As the Covid-19 outbreak affected Vietnam's textile and garment and footwear industries this year,

many businesses have changed their strategy of product development and on seeking new

customers, especially enhancing connection with each other within the sector.

Ms. Do Quynh Chi, Director of the Research Center for Labor Relations, said at a conference held on December 11, during and after the Covid-19 pandemic, the businesses strengthened their connections with each other in purchase and sale of domestic materials to offset supply disruption or price hike. Not only sharing orders, enterprises in the sector are sharing experiences about technology, machinery, implementation of environmental standards (such as wastewater treatment, using solar energy) and other issues.

In addition to the impact on the supply of raw materials from Covid-19, Mr. Vu Duc Giang, Vitas Chairman, said that to meet the standards of origin, local manufacturers and international brands also increased the buying and selling of domestic raw materials. Specially, Phu Bai Spinning Company has promoted the sale of yarn to many foreign-invested enterprises in Vietnam during the pandemic.

Meanwhile, many Vietnamese garment factories have been persuading international brands to use domestic fabrics and raw materials instead of importing them completely as previously to take advantage of tariff incentives through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam free trade agreement (EVFTA).

A recent survey conducted by the Research Center for Labor Relations showed that 46.6% of businesses have dealt with their peers and the 39.5% planned to cooperate with others in the next 1-3 years.

However, most businesses, those who want to connect with others, lack information channels and support mechanisms. For example, there is currently no web portal providing comprehensive information on the textile and footwear-handbag industries in Vietnam as well as opportunities to connect with partners.

Potentials after Covid-19

Mr. Giang from the Vitas said that the demand of Europe and the US in 2020 was estimated to decrease by 45% and 40% for garment, 27% and 21% for footwear, respectively. Until the fourth

quarter of 2020, the pandemic continued to be complicated in the two large markets, making the fashion industry's recovery time same as pre-pandemic levels predicted at the end of 2022 or early 2023.

However, Vietnam garment and footwear industries also have many opportunities as the global trade landscape is changing. Garment exports are mainly of high value, but still their sales remain unchanged and its market share even expanded in the US. In June 2020, Vietnam overtook for the first time China's position as the largest exporter of apparel to the US.

In Europe, Vietnam now accounts for about 3% of the market share. With the EVFTA agreement taking effect on August 1, 2020, footwear and textiles exports are forecast to increase strongly by 2025.

Local manufacturers have adjusted some strategies in the next 1-3 years. Up to 55.7% of surveyed businesses planned to promote automation, the 49.8% will develop new products, the 39.9% will diversify more products and the 41.5% will invest in improving labor skills, according to the Research Center for Labor Relations' survey.

"Nearly half of the fashion brands said they would increase their purchases from Vietnam after Covid-19, partly due to the supply chain diversification strategy and the free trade agreements that Vietnam has joined recently," Mr. Giang said.

"We will overcome difficulties in 2021 and 2022, even 2023. By the end of the third quarter of 2023, if Covid-19 is under control, the textile-garment industry will grow at the same level as that of 2019," he added.

This year, textile and garment exports are expected to reach US\$35.2 billion, lower than the \$38.9 billion last year, and \$55 billion for the 2025 goal, according to the Vitas.

To promote the development of the textile and footwear industry in the coming time, insiders have said that businesses need to continue improving their compliance with labor and environmental standards according to new-generation agreements such as CPTPP and EVFTA, participating directly and deeply in the supply chain with their own sources of

raw materials, and taking a higher position in the value chain.

Ms. Chi from the research center said that in short and medium term, the trend of diversifying customers, markets and products is the lifesaver for

textile enterprises to maintain their operations. Meanwhile, leather and footwear manufacturers tend to reduce outsourcing and diversify customers.

“In the long term, green technology and automation continue to be the trend,” Chi said.

5. New shipping route allows faster transport of goods between HCMC and Australia

Container vessels operating on the route will follow an itinerary traveling from SP-ITC in HCMC to Nansha, Yantian, Sydney, Melbourne, Brisbane and Laem Chabang, returning to HCMC.

The route enables the direct sea transport of goods from HCMC to the large Australian cities of Sydney, Melbourne and Brisbane, with a shipping time of 16 days, considerably shorter than before as goods will not have to be transited at ports in the region. Also, it takes only 18 days for goods to be shipped from Australia to HCMC.

Moreover, the route is expected to boost trade between the two countries, as both of them are now members of three major free trade agreements, namely the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the ASEAN-Australia-New Zealand Free Trade Area, and the Regional Comprehensive Economic Partnership.

SP-ITC is the first international terminal to be developed by private investors in HCMC. It is located on the Dong Nai River and can receive ships with a loading capacity of 45,000 DWT.

The terminal is focused on enhancing the quality of its services to handle new shipping routes. Before accepting the directing shipping route from HCMC to Australia, the terminal on December 1 this year had applied the use of an e-Equipment Interchange Receipt (eEIR) to modernize goods interchange activities at the terminal and reduce printed receipts.

Businesses and shipping lines can visit the terminal's ePort website at <http://eport.sp-itc.com.vn> to view all data related to their cargo containers on eEIR or can download the eEIR for further use.

6. Viet Nam-UK announced conclusion of free trade talks

Speaking at the signing ceremony, Anh said to ensure bilateral trade is not interrupted after the transition period of the Brexit process, Viet Nam and the UK have been conducting discussions on UKVFTA since August 2018.

In recent years, the Ministry of Industry and Trade and ministries of Viet Nam have worked to complete the negotiations with the UK based on inheriting the Viet Nam - EU FTA (EVFTA) with the appropriate adjustments to ensure the smooth implementation of trade liberalisation commitments.

“In the coming time, Viet Nam and the UK will continue to actively co-ordinate to officially sign the UKVFTA to put the agreement into effect at the beginning of next year, bringing benefits to

businesses and people of the two countries,” Anh added.

Truss said the conclusion of the agreement negotiation was an important factor to ensure the continuity of the dynamic and growing commercial relationship between the two countries. The agreement was also an important step in the context that the UK will apply to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in early 2021.

At the signing ceremony, the two ministers approved a joint statement saying the UK and Viet Nam share a commitment to global trade and the free flow of capital and investments. The bilateral deal provides vital continuity for our fast-growing and dynamic trading relationship. In 2019, UK

businesses exported goods to Viet Nam worth more than £600 million (US\$793 million). In the same year, Vietnamese businesses exported goods to the UK worth about £4.6 billion.

The bilateral FTA will lock in benefits of the existing trading relationship through the EVFTA, allowing trade in goods and services to continue to flourish.

Companies will continue to benefit from reduced tariffs on imports and exports, from increased access to services and from the protection of key British and Vietnamese products. This includes 65 per cent of all tariffs that have already been eliminated on UK-Viet Nam trade. This will increase to 99 per cent of tariffs by the time of full implementation. Viet Nam stands to benefit from tariff savings of £114 million on Vietnamese exports. For UK exports, this figure will be £36 million.

Truss said the deal represents the beginning of a new phase in the trade relationship between the two countries as not only does the FTA liberalise goods and services trade, it incorporates many other important elements, such as working towards clean growth and sustainable development.

The UK also sees the deal as a step towards joining the CPTPP.

As a founding member of the group, Viet Nam has welcomed the UK's interest in joining the CPTPP and publicly shown support for the UK's accession to the CPTPP in the future.

The CPTPP accounted for 13 per cent of global GDP in 2019. This would rise to 16 per cent of global GDP if the UK were to join.

7. Consumer finance companies remain attractive acquisition targets

At its annual general meeting this year, VPBank, the parent company, announced plans to sell stakes in FE Credit to foreign investors.

It is still in negotiations with them and believes it will identify a sound investor since FE Credit is one of the most attractive consumer finance companies in the Vietnamese market.

Analysts said the pandemic might delay finance companies' stock deals but would not force their prices down.

They said the Vietnamese consumer finance market had enormous potential but since licences to establish a company were very difficult to get, buying stakes in existing companies or acquiring an ailing institution is the best option for investors.

Việt Nam currently has 16 finance companies, including six fully foreign owned ones.

Finance and financial leasing companies had the highest rates of return on assets and return on equity in 2019 of 3.02 per cent and 13.83 per cent, or 15-25 per cent higher than banks' rates.

Because of this, foreign investors, especially from Japan and South Korea, are keen to enter this market.

In a statement to its investors, South Korean credit issuer Hyundai Card said Việt Nam is one of the world's fastest growing markets. Its market for personal loans is currently growing at an annual rate of 60 per cent, with the number of credit card holders surging 27 per cent in 2019 to 7.4 million.

Opportunities for investors

Since the beginning of this year many banks have said they are looking to sell stakes in their finance companies to foreign or domestic investors.

SHB has decided to offload stakes in SHB Finance Company to strategic foreign partners.

The management of Maritime Joint Stock Commercial Bank announced it was taking the necessary steps for selling a 50 per cent stake in its subsidiary, consumer finance firm FCCOM, to Hyundai Card.

It submitted the proposal to the State Bank of Việt Nam for approval in late 2019.

Vietinbank approved a plan to sell 49 per cent of Vietinbank Leasing Company Limited to Japan's Mitsubishi UFJ Lease & Finance Co. Ltd, and 1 per cent to a domestic investor.

It also plans to convert the leasing company's legal status to a limited liability company with two or more members from the current single-member limited liability company.

Interestingly, many Vietnamese investors including banks are keen on acquiring consumer finance firms.

At its 2019 annual general meeting, Tien Phong Commercial Joint Stock Bank (TPBank) laid out a proposal to acquire a 100 per cent stake in a finance company, saying it would enable the bank to achieve its targets.

The Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank), Asia Commercial Joint Stock Bank (ACB), Orient Commercial Joint Stock Bank (OCB), and others too are keen to enter the market.

Analysts said the Covid-19 outbreak had delayed things, but normal consumer finance M&A activities would resume soon since these companies are always attractive targets.

It then begs the question: Why are many banks seeking to sell stakes in their finance companies?

One of the main reasons is that these deals offer them access to funds, according to experts.

Besides, professional and experienced foreign investors with established names help improve management and technology of the companies they acquire, and build their brand names.

The SHB management concurred with this saying the funds foreign partners bring, their experience and management ability, modern and professional distribution channels, and advanced technologies could help SHBFC grow its consumer loan market share.

SHB owns 100 per cent of SHBFC, which has charter capital of VNĐ1 trillion (US\$42.6 million).

Corporate News

8. POW: Notice of EGM

↑ 2.15%

PetroVietnam Power Corporation announces the extraordinary general shareholders' meeting (EGM):

Meeting date: 8:00 am, December 22, 2020

Meeting venue: floor 4, Vien Dau Khi Viet Nam building, 167 Trung Kinh street, Yen Hoa ward, Cau Giay district, Ha Noi city.

Meeting content: Approval for selling Dong Du/Dong Mai specialized containers

9. VRE: Vingroup opens its 80th Vincom centre

↑ 4.90%

The mall features domestic and international restaurants like Haidilao Hot Pot, Manwah, Gogi House, Kichi Kichi, Dookki Dookki, Texas Chicken, Sushimi-Koto, The Coffee House, BreadTalk and Yihetang.

The mall is also home to fashion and entertainment brands, accessories, sportswear, cosmetics, appliances, furniture and more.

With more than 16 years of experience in retail real estate development, Vincom Retail is the market leader in Viet Nam.

Research Team:**Tsugami Shoji**

Researcher

jsi@japan-sec.vn**Disclaimer:**

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn