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Market Analysis

1. VN-Index rally, propelled by blue chips

After losing for a single session, the VN-Index pulled back 0.58 percent to 1,008.87 points Tuesday, with gains driven by large caps.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw a fairly balanced session with 221 stocks gaining and 199 losing. Out of these, 15 stocks hit their ceiling prices, the highest they could go in a trading session.

Total trading volume rose marginally over the previous session, to VND11.68 trillion (\$504.2 million), of which half went towards the VN30, a basket of the market's largest capped stocks.

The VN30-Index for this basket surged 1.08 percent, significantly outperforming the general market, with 18 gaining tickers and seven losing.

Topping gains were stocks in the private banking sector. STB of Sacombank soared 5.5 percent, VPB of VPBank 4.1 percent, TCB of Techcombank 1.7 percent, HDB of HDBank 1.4 percent, while EIB of Eximbank shed 0.3 percent.

Results in the public banking sector, however, were mixed. MBB of mid-sized Military Bank rose 2.5 percent, while of Vietnam's three biggest lenders by assets, CTG of VietinBank was up 1.2 percent, BID of BIDV kept its opening price, while VCB of Vietcombank was the worst performer on the VN30, down 1.1 percent.

Other major gainers this session included TCH of truck dealer Hoang Huy Group, up 5.4 percent, SBT

of agricultural exporter TTC-Sugar, up 2.5 percent, VNM of dairy giant Vinamilk, with 1.4 percent, and MSN of food conglomerate Masan Group, with 1.2 percent.

VIC of private conglomerate Vingroup, HoSE's biggest cap, rose 1.1 percent, while VHM of its real estate arm Vinhomes was up 0.8 percent, and VRE of retail arm Vincom Retail added 0.2 percent.

In oil and gas, GAS of energy giant PetroVietnam Gas and POW of electricity generator PetroVietnam Power both kept their opening prices, while PLX of gasoline distributor Petrolimex shed 0.4 percent.

In the other direction, the biggest losers included ROS of construction firm FLC Faros, down 0.9 percent, KDH of real estate developer Khang Dien House, down 0.7 percent, and FPT of IT services firm FPT, with 0.4 percent.

The HNX-Index for the Hanoi Stock Exchange, home to mid- and small-caps, climbed 0.83 percent, but the UPCoM-Index for the Unlisted Companies Market jumped 1.36 percent.

Foreign investors continued to be net buyers to the tune of nearly VND420 billion on all three bourses, with buying pressure mostly on VNM of Vinamilk, and the FUEVFNND, an exchange-traded fund replicating the performance of stocks on the VN Diamond Index, a bag of 14 stocks, most of which are blue chips.

Macro & Policies

2. ASEAN Customs Transit System launched to boost regional trade

The private sector in ASEAN now has access to a powerful new online system, the ASEAN Customs Transit System (ACTS), which will reduce intra-ASEAN trading challenges and enable companies to benefit fully from the ASEAN Economic Community (AEC) and the free movement of goods across the ASEAN region.

In 2017, ASEAN Economic Ministers set the twin goals of reducing trade transaction costs by 10 per cent by 2020 and doubling intra-ASEAN trade between 2017 and 2025. To realise this goal, the ASEAN Customs Transit System has been developed to allow businesses to lodge e-transit declarations directly with ASEAN Customs Authorities and to track the movement of their goods from loading at departure to delivery at the final destination.

“The implementation of the ASEAN Customs Transit System plays a vital role in facilitating the seamless movement of goods in the region. I believe the system would be an excellent tool in enhancing ASEAN's trade and production networks as well as establishing a more unified market for its firms and consumers,” said Lim Jock Hoi, Secretary General of ASEAN. “The ACTS could also support post COVID recovery to accelerate the transit movement of medical supplies, vaccines, and personal protective equipment within the member states.”

ASEAN Customs Transit System is simplifying the movement of goods across the region, making it more efficient and cost-effective. Under the ACTS, the private sector can make a single customs transit declaration that covers the transport of goods across multiple ASEAN countries, without the need to make repeated customs declarations or change vehicles at each border. Special arrangements allow reliable traders to load their goods at their own premises in the country of departure, and to deliver the goods to their own premises at destination. Faster customs clearance at borders helps accelerate transit movements, and reduce the time and expense of carrying out regional trade in goods, to the benefit of producers and consumers across the ASEAN region.

The system is managed by a permanent ACTS Central Management Team based in the ASEAN

Secretariat in Jakarta, Indonesia, with support from the EU-funded ARISE Plus programme.

“The ACTS is a remarkable achievement that is testament to the strong, dynamic, and long-standing partnership between ASEAN and the European Union,” said Koen Doens, Director General for International Cooperation and Development at the European Commission. “The ACTS will make the movement of goods by road quicker and easier across the borders of the participating ASEAN Member States, thereby reducing costs for businesses and citizens. The EU is proud to have joined ASEAN to make the ACTS a reality, providing European technical expertise and €10 million since 2012, in addition to the €5 million invested by our ASEAN partners,” he added.

ARISE Plus has provided extensive ACTS training for stakeholders in the public and private sectors, including customs authorities, government transport agencies, freight forwarders, transporters, banks, and insurance companies. Following the ASEAN Customs Transit System pilot activities in Cambodia, Lao PDR, Malaysia, Singapore, Thailand, and Vietnam, the system has now been formally launched for general use. The first successful ACTS transit movement occurred on October 23 and 24 (Friday and Saturday) with a truck travelling from Singapore via Malaysia to Thailand. The system will soon be available in Myanmar, and depending on business needs may later be expanded to Brunei, Indonesia, and the Philippines.

“We are excited to have the ASEAN Customs Transit System in place,” said Yukki Nugrahawan, chairman of the ASEAN Federation of Forwarders Associations (AFFA). “The freight forwarding community will be one of the main beneficiaries of this system as it offers simplified customs and transport control procedures between different ASEAN Member States and provides predictability on door-to-door delivery times and most importantly reduced transport costs. The ACTS will significantly accelerate transit movements across the region and help us reduce time and expenses of carrying out cross border trade in ASEAN,” he added.

The ASEAN Customs Transit System is an online system developed by ASEAN with the financial support of the European Union under the ARISE Plus programme. The ACTS is an ASEAN trade facilitation

initiative under the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) and the ASEAN Economic Community Blueprint 2025.

3. Vietnam manufacturing index dips amid natural disasters

The Vietnam Manufacturing Purchasing Managers' Index (PMI) dipped fractionally below the 50.0 no-change mark to 49.9 in November, signaling broadly unchanged business conditions during the month, according to Nikkei and IHS Markit.

This followed a reading of 51.8 in October and was the first sub-50 figure in three months. A reading below the 50 neutral mark indicates no change from the previous month, while a reading below 50 indicates contractions and above 50 points to an expansion.

Output decreased slightly in November, thereby ending a two-month sequence of growth. That said, anecdotal evidence suggested that the reduction could be temporary as a number of firms indicated that recent stormy weather and subsequent flooding had disrupted their production during the month.

The Covid-19 pandemic was also a factor weighing on output. New orders continued to rise, but only fractionally as business was impacted by the stormy weather conditions and flooding, as well as the pandemic. The latter had a particularly negative effect on new export orders, which decreased solidly.

On the other hand, a number of respondents indicated that new orders had increased amid improving underlying demand. With new order growth slowing, firms worked through outstanding business, leading to a tenth successive reduction in backlogs of work. The latest fall was solid, but softer than in October.

Falling workloads led firms to scale back their employment and purchasing activity during November. The modest reduction in staffing levels followed a slight rise in the previous month. Purchasing activity decreased for the first time in three months.

The fall in input buying fed through to a reduction in stocks of purchases. In both cases, however, consumer goods producers bucked the wider trend by posting expansions.

Meanwhile, a reduction in output during the month resulted in a decrease in stocks of finished goods.

As well as hampering production, the stormy weather and Covid-19 pandemic combined to disrupt the delivery of purchased items to manufacturers. Suppliers' lead times lengthened for the twelfth successive month and to the greatest extent since August. Raw material shortages were also a factor behind delivery delays.

Shortages of raw materials contributed to rises in input costs during November, with difficulties in importing items and higher prices in international markets also cited. Input prices increased sharply, and at the fastest pace since August 2018. The rate of output price inflation also quickened, but remained modest. The rise in charges was the greatest for two years.

Blip on road to recovery

Despite the setback in November, firms expect production to expand over the coming year. Confidence was centered on expectations that the Covid-19 pandemic would remain under control in Vietnam and cause less disruption globally.

"Although at first glance the latest Vietnam Manufacturing PMI figures are a little disappointing, there is reason to believe the setback in November was just a blip on the road to recovery," said Andrew Harker, associate director at IHS Markit, which compiles the survey.

"A number of panelists signaled that a succession of storms that have hit Vietnam in recent weeks, and associated flooding, hindered production, new

orders and the receipt of deliveries during the month,” he noted.

“We could therefore still be on track for a positive end to the year. In fact, business confidence

improved to the highest since July 2019 on expectations that the Covid-19 pandemic will prove less disruptive in 2021. IHS Markit forecasts GDP in Vietnam to rise 6.1% next year.”

4. Glass half full for beer sector recovery

The leading beverage giant SABECO began to regain some of its lost momentum in the second quarter, after being set behind by COVID-19 and tough local drink-driving laws earlier this year. It is expected to maintain the recovery trend at the end of this year as the market gradually recovers from the pandemic.

According to a recent report from brokerage SSI Securities Corporation, SABECO's gross margins would fluctuate between 28.2-28.5 per cent over the next 2-3 years thanks to its digitalisation project, named Sabeco 4.0.

According to company general director Bennett Neo, Sabeco 4.0 is a strategic initiative to transform its business using digital technologies, organisation structures, harnessing data, and improving information flow in order to make better decisions, improve governance structures, and automate the business with digital technologies where possible.

“The end goal we want to achieve is to optimise, standardise, and automate the way of working across all entities nationwide in order to strengthen our market leadership in the Vietnamese beer market,” said Neo.

In the current phase of Sabeco 4.0, the company will focus on transforming the company's sales and distribution model.

This includes developing comprehensive business management solutions to help Sabeco achieve its

business targets; standardising sales processes in line with domestic and international standards; and applying a synchronised, centralised, and standardised sales solutions system, aside with strengthening its ability to monitor and control operations based on data and building up an experienced internal workforce capable of operating the new systems.

This month Sabeco announced that it would pay its first cash dividend for the 2020 financial year on December 18, in which the dividend rate is set at 20 per cent, meaning shareholders will receive VND2,000 (0.086 US cents) per share.

The total dividend rate Sabeco set for 2020 was 35 per cent. The two biggest shareholders – State Capital Investment Corporation and Vietnam Beverage Co., Ltd. – will receive VND461 billion (\$20 million) and VND687 billion (\$29.9 million), respectively.

In the third quarter, Sabeco reported that revenues were down 17 per cent and post-tax profit up 1 per cent on-year, reaching VND 8 trillion (\$347.8 million) and VND 1.47 trillion VND (\$63.9 million) respectively. The gross profit margin increased from 24.6 per cent to 30.7 per cent.

Although revenues declined compared to 2019, it was up from the previous quarter thanks to recovery of the market after the COVID-19 pandemic. It attributed the growth in profits to better cost management.

5. FDI forecast to flow into supporting industries

Foreign direct investment in supporting industries is expected to spike in the coming months as more and more foreign companies establish production

facilities in Vietnam and seek to develop supply chains here, experts said.

HCM City has, for instance, exceeded this year's FDI target despite the COVID-19 pandemic, racing to more than 591 million USD in the first 10 months, a 7 percent increase from the same period last year, according to the HCM City Export Processing and Industrial Zones Authority (HEPZA).

The investment was focused in sectors prioritised by the city government, including supporting industries, Hua Quoc Hung, head of HEPZA, said.

Six of the 11 newly licensed foreign companies are in supporting industries, he said.

Japanese company Nikkiso Vietnam MFG invested an additional 3 million USD in its medical equipment factory at the Tan Thuan Export Processing Zone to expand production.

Other localities in the south have also licensed a number of large foreign projects in supporting industries this year.

Binh Duong province has licensed a 20 million USD venture by Singapore's Ever Giant International Private Limited in the Bau Bang Industrial Zone and a 30 million USD project by Singapore's Sung Shin Tech Limited at the Tan Dong Hiep B Industrial Park.

A majority of FDI in Dong Nai province this year has gone into supporting industries, according to its Industrial Zones Authority.

Many foreign companies in supporting industries in the province have increased their investment.

Germany's Schaffler Vietnam based in the Amata Industrial Park pumped in another 50 million USD and the Republic of Korea's Chang Shin Vietnam at Thanh Phu Industry Park increased its investment by 87 million USD.

The Saigon Hi-Tech Park in HCM City last month signed an agreement with export processing and industrial zones authorities in the South Key Economic Zone, which comprises HCM City and the provinces of Binh Duong, Dong Nai, Long An, Tay Ninh, and Ba Ria- Vung Tau, to develop a network for supporting small and medium-sized supporting industry firms by promoting regional linkages.

Fifteen of 30 Japanese enterprises diversifying their supply chains to Southeast Asia under the Japanese Government's pandemic stimulus package have opted to move to Vietnam, according to the Japan External Trade Organisation.

They include nine small and medium-sized enterprises and six large ones, with most producing medical equipment, semi-conductors, mobile phones and parts, and air conditioners.

Vietnam has become a preferred alternative manufacturing base for its facilities and labour costs, according to a report on the industrial property market released recently by Savills Vietnam.

Multinationals producing high value-added products such as electronics, under increased pressure to cut costs, would shift more and more to Vietnam and the rest of Southeast Asia, the report added.

6. MobiFone to launch 5G commercial pilot in HCM City next month

The Ministry of Information Technology and Communications allowed the carrier to launch the 5G commercial pilot in HCM City.

MobiFone has been rushing to install equipment and preparing technical, human resources and locations for the launch of 5G on the broadband of 2,600MHz with a scale of 50 sites in HCM City.

It negotiated and co-ordinated with leading 5G network terminal equipment providers to prepare the best conditions for customer experience.

MobiFone's subscribers would join in the launch at central areas with a high number of visitors. It is expected that MobiFone would provide high speed internet services such as video in 4K, 8K, augmented reality (AR) and virtual reality (VR) games, artificial intelligence (AI) learning and Internet of Things (IoT) service.

The 5G commercial pilot aimed to evaluate the ability of MobiFone's network before the official launch nationwide.

MobiFone said they had been focusing on the 5G launch but also ensure quality of their 2G/3G/4G services.

The number of 5G subscriptions could hit 6.3 million or 6 per cent of total mobile subscriptions by 2025, according to a forecast from technology conglomerate Cisco.

5G is said to offer speeds 100 times faster than 4G and support new applications like remote medical procedures and autonomous driving.

Earlier, Minister of Information and Communication Nguyen Manh Hung said Viet Nam aimed to roll out

the 5G network more widely in 2021 through producing 5G devices with good quality and reasonable prices. Developing a 5G network would be one of the key directions on improving the capacity of digital infrastructure for national digital transformation.

Denis Brunetti, president of Ericsson Viet Nam, Myanmar, Cambodia and Laos, said that 5G would change all industries such as manufacturing, agriculture, and healthcare drastically thanks to the presence of robots and 5G information transmission systems. He believed that Viet Nam had the essentials to develop science and information technology.

7. More reforms needed in construction procedures

Hoang Quang Phong, the VCCI's Deputy Chairman, said enterprises implementing construction works were still facing with a lot of difficulties in administrative procedures.

Administrative procedures must be carried out with different State management agencies at different levels and for different stages, from policy approval, land handover, land clearance to construction progress.

There were overlaps and inconsistencies in construction-related administrative procedures which caused a waste of time and pushed up costs for enterprises, Phong said.

According to Dau Anh Tuan, head of the VCCI's Legal Department, construction inspections remained a burden for enterprises, he said, citing findings that 38.2 per cent of enterprises were not satisfied with inspections carried out by State management agencies due to overlaps in inspections and difficulties caused by inspectors.

Tuan said it was necessary that inspectors at different administrative levels worked with each other to prevent overlaps in inspections and that transparency in inspections must be improved.

He added that inspections in the construction sector should be carried out following a risk-based approach, which was now used by the tax and

customs agencies, stressing that risk-based inspection would help save time and reduce costs.

The VCCI's survey of 10,000 enterprises (82 per cent of them were private and 18 per cent were foreign-invested companies) found private companies did not have experiences as good as foreign direct investment (FDI) companies in term of construction administrative procedures, which showed localities were offering FDI companies more preferential policies to attract foreign investment.

Micro and small-sized enterprises were found to face the greatest difficulties in carrying out construction-related administrative procedures, the report pointed out. In addition, 23 per cent of enterprises did not agree that administrative procedures were handled on time following established regulations.

Informal charges were also a burden for enterprises in applying for construction permits, the survey found, adding that time to receive construction permits must be shortened. About 25 per cent of enterprises said they could not fully access instructions to conduct administrative procedures in the construction sector.

Tuan said that the legal system in construction and relevant sectors must be reviewed for amendments to save time and costs for enterprises.

Promoting the provision of online public services with cashless payment was also important to prevent informal charges, he said.

It was also important to improve the transparency in receiving and handling construction procedures together with applying information technology in handling administrative procedures, Tuan said.

Corporate News

8. SCS: Resolution on the dividend payment

↑ 1.12%

The Board of Directors of Sai Gon Cargo Service Corporation approved to pay for the first phase of 2020 dividend in cash:

- Record date: December 15, 2020

- Payment date: expected on December 30, 2020

- Dividend pay-out ratio: 30%/ par value (VND3,000/ share)

9. SBT: BOD approved to issue VND 700 billion bonds

↑ 3.17%

The Board resolution dated November 29, 2020, the BOD of Thanh Thanh Cong – Bien Hoa Joint

Stock Company approved to issue bonds with total value of VND700 billion.

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