



VIETNAM DAILY NEWS

December 21st, 2020



Table of content

Table of content

1. Shares to go up on upbeat sentiment
2. 5G to come online in Vietnam mid-2021: telecom authority
3. Vietnam eyes global retailers as key export channel
4. Tax and fiscal support in response to coronavirus crisis
5. Banks to lead market growth in 2021: experts
6. Vietnam estimates \$15.8 bln budget for airport development
7. Trade gains significant achievements despite pandemic
8. DIG: Notice of a record date for extraordinary general meeting
9. GEX: Holding EGM 2020

Market Analysis

1. Shares to go up on upbeat sentiment

The Vietnamese stock market is forecast to maintain an upward trend this week on upbeat investor sentiment, after seven consecutive gaining weeks of the market with increased liquidity.

Viet Nam's benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) increased 1.49 per cent to close Friday at 1,067.46 points.

The index had gained 2.06 per cent last week.

An average of 628.4 million shares were traded on the southern exchange during each session last week, worth VND13.2 trillion (US\$571 million).

Tran Xuan Bach, a stock analyst at Bao Viet Securities Co (BVSC), said the market would possibly face correction pressure during early sessions before rebounding toward this weekend.

"The index maintains a positive uptrend with a target price of 1,100 - 1,110 points. However, various stocks have become overbought, which may lead to strong volatility and correction pressure to the index," he said.

"The cash flow tends to shift among stock sectors seeking profits. Small and mid-cap stocks are likely to flourish in the next few sessions.

"The stock exposure should be maintained at 50 per cent - 70 per cent of the total investment. Investors should hold stocks in the portfolio and consider lowering short-term positions during the exciting rally market from the beginning of the session or at the market's resistance zone 1,100 - 1,110 points."

According to Viet Dragon Securities Co, VN-Index returned to increase on Friday despite risky signs in the previous session, showing that money flow is actively supporting the market.

"VN-index closed at the highest level in the last four sessions, positively helping the market widen its current gaining span. However, there will be a strong struggle at 1070 points.

"Therefore, investors can keep potential stocks, but also need to narrow portfolio with signs of recession. In addition, investors should look for

short-term opportunities at some stocks with good accumulation and gaining signals," the company said.

The analyst group from MB Securities Joint Stock Company - MBS said that in the last session of the week, the liquidity remained at a high level, showing that investors expect the continued recovery of the market in the coming days. Foreign investors' trade took place positively when they net bought again with a total value of nearly 65 billion dong. In the next sessions, VN - Index might retest the resistance level of 1,085 points.

According to Saigon-Hanoi Securities Joint Stock Company (SHS), the majority of stock sectors witnessed growth last week.

Construction material stocks increased the most thanks to Nam Kim Group (NKG) rising 5.2 per cent, Hoa Sen Group (HSG) increasing 5.1 per cent, Tay Ninh Rubber JSC (TRC) gaining 3.7 per cent, Phuoc Hoa Rubber Co (PHR) up 3.1 per cent and Da Nang Rubber Co (DPR) going up 1 per cent.

They were followed by the banking group with notable gainers of Techcombank (TCB), up 13.8 per cent, VPBank (VPB), up 11.8 per cent, Military Bank (MBB), rising 7.4 per cent, Vietcombank (VCB) increasing 1.7 per cent and Vietinbank (CTG) climbing 1 per cent.

Le Hoang Phuong, an expert of macro and market strategy of Bao Viet Securities Joint Stock Company said last week, the stocks that have the most positive influence on the VN-Index were Vietnam Rubber Group - Joint Stock Company (GVR), Techcombank (TCB) and VPBank (VPB).

On the contrary, the stocks that have the most negative influence on the index last week were Vingroup (VIC), Vinamilk (VNM) and PetroVietnam Gas JSC (GAS).

"Viet Nam's stock market last week had positive developments in the context that many stock markets around the world, especially the US market, were on the rise thanks to optimism about progress in negotiations over US economic stimulus package," he said.

Macro & Policies

2. 5G to come online in Vietnam mid-2021: telecom authority

"Following commercial trials, service providers must evaluate the associated results regarding technical features, commercial potential, business models and market demand," Nguyen Phong Nha, head of the Vietnam Telecommunications Authority (VNTA) under the ministry, said at a Thursday meeting.

The ministry expects to approve 5G services in mid-2021, Nha said.

However, nationwide deployment would not commence immediately, dependent on market demand. For example, major cities like Hanoi, HCMC or Da Nang would be prioritized due to their need for high-speed services and their denser populations. The same goes for industrial areas with foreign investments, where "smart" factories are a necessity, he said.

Three major telecom providers VNPT, MobiFone, and Viettel have been commercially trialing 5G services. Since November, users of these three providers could have tried 5G connections

themselves in trialed areas and with 5G-supported smartphones.

5G trials by VNPT and Viettel boasted a speed of up to 1 Gbps, 10 times greater than that of 4G.

Telecom providers in Vietnam are expecting to price 5G services at the same rate as their 4G equivalents, and would not require users to change their SIM cards.

A VNPT representative said at the conference: "5G would be free during trial periods, at least until the end of January 2021. After that, its price would be similar to 4G." A MobiFone rep concurred.

For the next two years, 5G usage would focus on industrial areas and major cities, and from 2023 to 2025, would be distributed as widely as 4G, reaching even rural areas, according to a telecom provider representative attending the event.

Vietnam plans to provide 5G coverage nationwide by 2030, offering all citizens broadband Internet connection at low cost, according to VNTA.

3. Vietnam eyes global retailers as key export channel

The export of Vietnamese goods and products via distribution networks of global retailers remains an efficient and sustainable channel.

Deputy Minister of Industry and Trade Do Thang Hai shared his view at a conference on 5-year review [2016-20] of the implementation of program to promote Vietnamese enterprises' participation in the global supply chain on December 17.

The conference was held in a virtual platform with the participation of major retailers in Vietnam, including Aeon, Walmart, Central Retail, Lotte, or Mega Market, among others.

"Thanks to their support, Vietnamese high quality goods and products, ranging from agricultural products to household appliances, furniture, and

garment, have reached millions of customers worldwide," Mr. Hai noted.

"The presences of some of the world's largest retailers from the US, Japan, South Korea and Thailand is evidence of a strong trade and investment relation between Vietnam and its partners, as well as the growing attractiveness of Vietnam's retail market and its role as a major supply for global supply chain," he added.

The deputy minister informed over the years, the Ministry of Industry and Trade (MoIT) has been cooperating with retailers in Vietnam in enhancing capabilities for Vietnamese traders, focusing on production capability, product development, market penetration, and connecting buyers and customers.

“After five years of implementing the program, local enterprises have gained better understanding on the necessity of studying customers behavior and preferences in international markets, which would later be incorporated into the process of product development,” Mr. Hai asserted.

Discussing the vision for the program during the next 10 years, Head of the European-American Market Department Ta Hoang Linh suggested Vietnam aims to position itself as a major supply for global retailers in the Southeast Asian region.

In this regard, the country will continue to expand its cooperation with other strategic partners,

especially foreign retailers operating in Vietnam or are looking to shift their supply chains to the Vietnamese market, Mr. Linh said.

“The ministry is set to cooperate with business associations and provinces/cities to select high potential enterprises to join the program and propose supporting policies to promote greater participation of local firms into the program,” Mr. Linh noted.

At this conference, the MoIT in collaboration with retailers under the program released a manual to help local traders join the latter's supply chains.

4. Tax and fiscal support in response to coronavirus crisis

The Ministry of Finance (MoF) is committed to further pushing administrative reform and addressing existing problems for the business community, providing them with timely support in terms of taxes and fees to overcome the Covid-19 crisis.

The information was revealed at a conference discussing fiscal policies to support enterprises amid the Covid-19 pandemic on December 18.

“For the time being, the MoF is considering to extend validity period of existing supporting programs already in place,” said Le Minh Khiem from the MoF's Tax Policy Department, referring to a 30% cut in environmental protection tax for jet fuel in 2021 to support the aviation industry; delaying the payment of value-added tax, income tax and land rental fees for enterprises and business households; waiving import duty for health equipment and gears to support the Covid-19 fight, among others.

In parallel with such efforts, the ministry aims to continue modernizing the tax management to ensure a fair and transparent business environment, creating favorable conditions for all economic components in fulfilling their tax obligations, he noted.

Nguyen Van Phung, director of the Department of Tax Administration at Large Enterprises from the General Department of Taxation (GDT) said the

main objective is to help enterprises lower their operational costs.

So far, the GDT has provided 194 online public services at advanced stage of 3 and 4 out of the four-scale level. This resulted in over 794,000 enterprises registering for online tax declaration, or 99.32% of total number of enterprises and 11.28 million applications being processed online.

Tax database has also been connected with seven commercial banks to allow individuals to pay tax online via internet banking or mobile banking, stated Mr. Phung.

Le Manh Hung, deputy head of the Import-Export Tax Department under the General Department of Vietnam Customs (GDVC) added that the agency has been offering solutions to facilitate trade amid Covid-19 causing disruption to global trade.

In the first 11 months this year, Vietnam's trade turnover continued to expand by 3.6% year-on-year to US\$489.55 billion, while customs revenue in 2020 is set to decline by 11% year-on-year to VND310 trillion (US\$13.42 billion). Such decline is acceptable given Vietnam's active participation in free trade agreements and the severe impacts of the Covid-19, Mr. Hung suggested.

“Along with efforts of the MoF, customs authorities continue to pursue administrative reform for greater simplification, clarity and transparency,

gradually reaching international customs practices," he stressed.

5. Banks to lead market growth in 2021: experts

According to SSI Research, 13 listed banks on the Ho Chi Minh Stock Exchange, which account for 27.4 per cent of the southern bourse's market capitalisation, posted a 6.6 per cent year-on-year increase in third-quarter total pre-tax profit that climbed to VND29.7 trillion.

If the figure excluded Vietcombank's 21 per cent year-on-year profit downturn, the others' pre-tax profit gained 14.7 per cent year-on-year thanks to the strong growth of revenues and lower increases in risk provisions and operating costs.

There was also a big difference between private-equity banks and State-owned lenders. Vietcombank and Vietinbank – two of the three State-owned lenders – saw their risk provisions rise 35-39 per cent year-on-year while private-equity lenders saw the figure fall 10.7 per cent.

SSI Securities Corporation's director of analysis and investment consultancy Hoang Viet Phuong said the outlook of the banking sector is better than estimated as Viet Nam has done well coping with the coronavirus.

The two outbreaks in Viet Nam in late March and July were quickly put out. Fears had been raised about the ability of the Vietnamese economy to deal with the pandemic, thus lowering economic and business performance forecasts.

Such positivity, followed by good news about banking stocks, is expected to lift the sector and market in the fourth quarter.

Bank stocks have returned to their year-start price levels, which are still attractive and reasonable, Quan Trong Thanh, director of research and analysis at Maybank Kim Eng Securities Co, said.

Local banks have return-on-equity (ROE) ratios of 16-20 per cent while lenders in other regional markets have ratios of 9-11 per cent. The price-to-book value (P/B) ratios among Vietnamese lenders

are around 1 while that among regional lenders are 1.2-1.4.

Banks are planning to increase their capital, so they will lure investors' attention and have a better chance of recording good profits, Thanh said.

"Banks performed well in 2020 on their market-shifting stories. Capital hike will be the focus for bigger banks in 2021," he added.

Some large-cap creditors planning to raise capital include Vietcombank, Vietinbank and BIDV.

Do Bao Ngoc, deputy general director of Viet Nam Construction Securities JSC (VNCS), said the prices of bank stocks have been priced in already.

"They may stall a little in short term, even decline, but in general, they are still growing. Any corrections would be good opportunities for investors."

Individual stories

Banks giving news about their asset management plans will also be worth a looking, Thanh said.

Those include Techcombank, VPBank and Sai Gon-Ha Noi Bank (SHB). Asia Commercial Bank (ACB) may also be a good choice, especially after the bank in December switched to the HoSE from the Ha Noi Stock Exchange to enjoy higher possibilities of raising foreign capital.

It is likely ACB shares will be added to the major indices such as VN30, VNDiamond and VNFinlead in HoSE's index review in July 2021. The admission will help the bank stock attract more foreign investors and boost its trading liquidity and stock price.

The bank is also considering selling its stake in ACB Securities JSC, thus boosting its revenue.

According to Maybank Kim Eng, ACB focuses on individual borrowers and small and medium-sized businesses with strict asset valuation procedures.

Shares of Vietinbank (CTG), Techcombank (TCB) and Military Bank (MBB) are also recommended by SSI Securities.

Vietinbank is on its way to paying bonus shares for financial years 2017 and 2018 by the end of the first quarter next year. The total dividend rate is 28.8 per cent.

In addition, the State may cut its stake in Vietinbank to less than 65 per cent. The Ministry of Planning and Investment is drafting a new decision allowing the Government to cut its ownership in banks to 50-65 per cent from the current minimum of 65 per cent.

Phuong said it is likely Vietinbank will be permitted to raise its capital, plus the bank has settled all VAMC bonds.

In addition, low-interest rates help boost demand for corporate bonds. Techcombank has outperformed other lenders in the corporate and government bond market.

Analyst Le Khanh Tung at MB Securities Co said bank stocks will lead the market growth for at least the first half of 2021.

State-owned banks have made big risk provisions for 2020, and they may enjoy a robust year in 2021 after the risks are cleared, he said.

The Government is determined to make huge investment to develop mass infrastructure, thus boosting demand for cheap funding to execute the projects, he said.

6. Vietnam estimates \$15.8 bln budget for airport development

The development projects include construction of the first phase of the Long Thanh International Airport in the southern province of Dong Nai, the Sa Pa Airport in the northern province of Lao Cai and the Quang Tri Airport in the central province of the same name.

A draft plan prepared by the CAAV also includes expansion of some major airports including the Tan Son Nhat International Airport in Ho Chi Minh City, the Noi Bai International Airport in Hanoi, the Da Nang International Airport and the Cam Ranh International Airport.

Some of the top priority projects are the first phase of Long Thanh and expansion of Noi Bai, which are set to cost nearly \$5 billion each.

The expansion of Tan Son Nhat, Da Nang and Cam Ranh airports is set to cost over \$5 billion in total.

Under the plan, the funding will be sourced from Official Development Assistance loans, state coffers, banks and private companies under the public-private partnership model.

The CAAV has proposed that the government approves low-interest loans, guarantees bank loans and issue favorable tax and land policies to attract private investment in the aviation industry.

Tran Quang Chau, deputy chairman of the Vietnam Association on Aviation Science and Technology (VAAST), said private investment will be a key factor in the development of new airports as the state budget has limitations.

However, there needs to be a legal framework to guarantee investors that they can recoup their investment, especially with the expansion of some major airports like Tan Son Nhat and Noi Bai, which is likely to attract investor interest.

Other experts have expressed concerns about the need for and viability of some airports that could end up making losses over low demand.

Aviation expert Nguyen Thien Tong said that the planned Quang Tri Airport is just 60-80 kilometers away from the existing Phu Bai International Airport in the Thua Thien Hue Province and the Dong Hoi Airport in Quang Binh Province.

Passengers can travel to these nearby airports, potentially reducing demand in Quang Tri and causing an airport there to suffer losses, regardless of private or public investment, he added.

Hoang Van Cuong, a member of the National Assembly's Financial and Budget Committee, said state coffers should only be used for key sub-projects with national security implications such as construction of runways and land clearance.

The government should seek to attract private investors for other aviation infrastructure projects like as terminals, storage facilities and aprons, he added.

The CAAV also estimates that the country will need another VND866.36 trillion in the 2030-2050 period to develop more aviation projects, including the construction of the second terminal in Hanoi and doubling or tripling the capacity of several other airports.

7. Trade gains significant achievements despite pandemic

While the Covid-19 pandemic continues to cause severe consequences on the economy as a whole and trade activities in particular, it could not stop Vietnam's exports from attaining significant achievements.

Vice Minister of Industry and Trade Do Thang Hai shared the view at the Vietnam Export Promotion Forum 2020 held on December 16.

As of the end of November, Vietnam's trade turnover reached US\$489.1 billion during the period, up 3.5% year-on-year. Of the sum, exports rose by 5.3% year-on-year to US\$254.6 billion, and imports of US\$234.5 billion, up 1.5%, resulting in an all-time high trade surplus of US\$20.1 billion.

Vietnam had 31 export items earning more than US\$1 billion each in the first eleven months of 2020, accounting for 92% of total exports, and six grossing over US\$10 billion, or 64.3%. On the other hand, 34 items were imported with US\$1 billion, or 89.4% of total.

It is estimated that Vietnam's export turnover could reach US\$267 billion for 2020, representing an increase of 1% against the previous year, while imports are estimated at US\$260 billion, up 2.6%. This would result in a trade surplus of US\$7 billion for the year.

"In a difficult year amid the Covid-19 pandemic, exports remain a spotlight and lay a foundation for the economy to maintain its growth momentum coming into the next year," stated Mr. Hai.

"As the pandemic is set to persist for a longer period, solutions are needed for Vietnam to ensure efficient utilization of free trade deals, including the EVFTA, CPTPP or RCEP, as well as to promote the Vietnamese brands globally," he continued.

Market expansion key for sustainable trade

Vu Ba Phu, head of the Trade Promotion Agency under the Ministry of Industry and Trade (MoIT), said the agency plans to provide support for local traders in brand building and promoting e-commerce and IT application.

"The idea is to help them enhance resilience against the Covid-19 pandemic," Mr. Phu said.

For Vietnam to maintain export growth of 5-10% during the 2021-25 period, the MoIT expected trade promotion activities to focus on Vietnam's key export products, including seafood, fruits, coffee, tea, cashew, rice, rubber, textile, footwear and wooden products, among others.

"In addition to priority markets such as China, the US, EU, India, Japan, ASEAN, South Korea, Vietnam would look to penetrate new markets such as the Middle East or Africa," he added.

Swiss Ambassador to Vietnam Ivo Sieber said market expansion holds significant role for Vietnam to further expand trade globally.

Mr. Sieber informed that the European Free Trade Association (EFTA), comprising Iceland, Liechtenstein, Norway and Switzerland, is negotiating a trade deal with Vietnam.

Once completed, the deal can take trade relations between the two parties to a new level, Mr. Sieber said, adding he hopes the deal can be concluded next

year on the occasion of 50th anniversary of the establishment of diplomatic relations between Vietnam and Switzerland.

Corporate News

8. DIG: Notice of a record date for extraordinary general meeting

↑ 5.60%

The Board of Directors of Development Investment Construction Joint Stock Corporation approved a record date for determining a shareholder list to convene an extraordinary general meeting:

- Record date: December 28, 2020.

9. GEX: Holding EGM 2020

↑ 0.48%

Viet Nam Electrical Equipment Joint Stock Corporation announces the holding of Extraordinary General Meeting 2020 as follows:

- Meeting venue: Floor 17th, Melia Hotel, 44B Ly Thuong Kiet, Tran Hung Dao Ward, Hoan Kiem District, Hanoi.

- Meeting time: 9:00, Tuesday, December 29, 2020

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