VIETNAM DAILY NEWS

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JSI
JAPAN SECURITIES INC.

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Market Analysis

1. Shares gain on PM's new decision on national exchange establishment

A gauge of Vietnamese stocks climbed on Monday following encouraging news about the Prime Minister's new decision on the establishment of the national stock exchange.

Prime Minister Nguyen Xuan Phuc issued Decision 37/2020/QD-TTg on the establishment of the Viet Nam Stock Exchange (VSE), with the aim of unifying the stock market and ensuring efficient, fair, open and transparent activities.

The VSE, having chartered capital of VND3 trillion (US$130.2 million), will be headquartered in Ha Noi and operate as a one-member limited liability company wholly owned by the State. The Ministry of Finance will be the representative of State capital.

The Ha Noi Stock Exchange (HNX) and the Ho Chi Minh Stock Exchange (HoSE) will become its subsidiaries, with 100 per cent of capital invested by the VSE, but will both operate independently.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.64 per cent to end Monday's session at 1,091.33 points.

The index had gained 1.59 per cent last week.

Nearly 723.9 million shares were traded on the southern bourse on Monday, worth VND14.6 trillion.

The large-cap tracker VN30-Index was up 0.20 per cent to 1,054.23 points.

Fourteen of the 30 large-cap stocks in the VN30 basket increased while 13 declined.

"VN-Index continued its rally for most of the session and is now back over 1,090 points," said BIDV Securities Co.

"Foreign investors were net sellers on both HoSE and HNX. Besides, market breadth was positive and liquidity increased compared to the previous session.

"According to our assessment, the VN-Index may still move towards the threshold of 1,100 points in the coming sessions," it said.

Foreigners net sold VND348.21 billion on HoSE, including Hoa Phat Group (HPG) with VND85 billion, Military Bank (MBB) with VND64.7 billion and Vincom Retail (VRE) with VND60.1 billion. They were net sellers on the HNX with a value of VND25.1 billion.

Nineteen out of 25 sector indices on the stock market gained ground, including logistics, wholesale, real estate, IT, energy, securities, healthcare, construction materials, insurance, banking and rubber production

On the opposite side, losers were food and beverage, seafood processing, retail and construction.

A number of blue-chips attracted cash flow such as insurer Bao Viet Holdings (BVH), steel maker Hoa Phat Group (HPG), Vietnam National Petroleum Group (PLX), Phu Nhuan Jewelry (PNJ) and Vinhomes (VHM).

On the Ha Noi Stock Exchange, the HNX-Index climbed 2.14 per cent to 196.57 points.

Nearly 165.4 million shares were traded on the northern market, worth VND2.3 trillion.

Macro & Policies

2. Insurance market sees growth this year despite COVID-19

The ministry reported total insurance premium revenue in 2020 is estimated at VND184.7 trillion (US$7.86 billion), an increase of 15 per cent compared to 2019. Total non-life insurance premium was VND57.1 trillion (up 8 per cent) and life insurance was VND127.6 trillion (up 19.6 per cent).

Insurers have paid VND48.2 trillion for customers, a surge of 11.4 per cent year on year.

According to the ministry's Department of Insurance Management and Supervision, the pandemic has been controlled to create a stable business environment for local enterprises, including insurance companies, helping them resume and promote business activities.

To achieve the dual goal of both controlling the pandemic and ensuring economic development, the Government has implemented a series of solutions and policies to remove difficulties and support people and enterprises.

The ministry has also completed policies to support insurance companies for the comprehensive and sustainable development of the domestic insurance market. That would help the insurance companies stabilise their business in the context of a sharp reduction in benefits from investments and interest rates of government bonds as well as the unpredictable development of the pandemic.

The ministry has reduced and simplified administrative procedures to remove difficulties for enterprises. It has also reduced contributions of insurance companies to the insurance protection fund from 0.15 per cent of the total insurance premium revenue to 0.05 per cent.

Meanwhile, insurance companies have reviewed and cut expenditures to improve operational efficiency, and increased charter capital to improve financial ability and expand distribution channels. In addition, they have promoted the development of health insurance and healthcare products.

They have also increased investment in information technology and digital transformation to improve service quality, operational efficiency and risk management ability.

In addition, people's demand for insurance products is increasing because their awareness of the importance and significance of life and health insurance has been raised significantly, according to the department.

It expects that in the future, the legal framework for the insurance business sector will be completed to create a transparent business environment and favourable conditions for the development of this market.

The domestic insurance market has a high and stable growth but it is still smaller than its potential, according to the department. In Viet Nam, total revenue of the insurance market accounts for 3.07 per cent of the national GDP, lower than the average rate at 3.35 per cent in the ASEAN region, 5.37 per cent in Asia and 6.3 per cent in the world.

The department also reported that in 2020, insurance companies have contributed to socio-economic development with a total investment of VND460.5 trillion, up 22 per cent over the same period in 2019.

By this year, total assets of insurance businesses are estimated at VND552.4 trillion, 20 per cent higher than the same period in 2019. Total equity is estimated at VND113.5 trillion, up 18 per cent.

Insurance products in many fields are not yet developed on the domestic market, such as for natural disasters, public property, import-export, life and healthcare.

So far, insurance companies have products for many major sectors including property, aviation, marine, credit, agriculture and fisheries.

3. Malaysia imposes provisional anti-dumping duties on steel imports from Indonesia, Vietnam

The Ministry of of International Trade and Industry (MITI) said it had completed the preliminary determination of the anti-dumping investigation concerning imports of the subject merchandise from the alleged countries and found there were sufficient evidences for further investigation.

"The government therefore has decided to impose a provisional measure, which shall be in the form of provisional anti-dumping duties guaranteed by a security equivalent to the amount of the dumping margins determined in the preliminary determination.

"Provisional anti-dumping duties ranging from 7.73 per cent to 34.82 per cent will be applied on imports of subject merchandise from the alleged countries and shall be effective not more than 120 days from Dec 26, 2020," MITI said in a statement today.

To recap, the anti-dumping investigation was initiated the on July 28, 2020, based on a petition filed by Bahru Stainless Sdn Bhd (petitioner) as the sole domestic industry producing the like product, claiming that imports of subject merchandise originating or exported from the alleged countries are being imported into Malaysia at a price lower than the selling price in their domestic market and caused material injury to the domestic industry in Malaysia.

MITI said a final determination would be made no later than April 23, 2021.

It said interested parties, such as importers, foreign producers or/and exporters and associations related to the investigation could have access to the non-confidential version of the report on the preliminary determination by submitting a written request to MITI.

The request should be sent to: Director, Trade Practices Section, Ministry of International Trade and Industry, Level 9, Menara MITI, No. 7, Jalan Sultan Haji Ahmad Shah, 50480 Kuala Lumpur, Malaysia.

4. FDI capital inflows into Vietnam cross $28 billion milestone in 2020

As of December 2020, foreign direct investment capital inflows into Vietnam reached the $28.5 billion milestone, firmly establishing the country's credentials as a safe and key investment destination in the midst of the COVID-19 pandemic.

According to data from the Ministry of Planning and Investment, the total newly registered capital, adjusted capital, capital contribution, and share purchases by foreign investors reached $28.5 billion, down 25 per cent compared to the same period last year.

There were 2,523 new projects granted with investment certificates with total registered capital of $14.6 billion, down 35 and 12.5 per cent, respectively, against last year. Around 1,140 projects registered capital adjustment with the total additional capital reaching $6.4 billion, up 10.6 per cent.

In addition, there were 6,141 instances of capital contribution and share purchase by foreign investors worth $7.5 billion, a fall of 51.7 per cent on-year on-year. The total number of capital contributions and share purchases by foreign investors was 1,695 with the total value of $3.2 billion.

The COVID-19 pandemic has had a definite impact on FDI inflows. Production and trade was sluggish and many businesses fell into difficulties. The divested capital of foreign investment projects continued to decrease in 2020 over the same period last year. The disbursement of FDI capital saw a yearly increase of 6.7 per cent to $19.98 billion.

According to the MPI, many foreign-invested companies start to recover and expand their projects. Numerous foreign investors stayed interested and are looking to invest in Vietnam.

Around 300 companies are exploring investment opportunities or developing expansion plans in Vietnam. Around 50 groups and companies have achieved some initial results for upcoming investment in the country.

There are 19 key sectors attracting FDI inflows. Among them, the processing and manufacturing sector accounted for the highest proportion with $13.6 billion, accounting for 47.7 per cent of total investment capital. Electricity production and distribution ranked second with investment capital of over $5.1 billion, accounting for 18 per cent of the total registered investment capital. It is followed by real estate, wholesale and retail with the total registered capital of nearly $4.2 billion and $1.6 billion.

Several major projects in the period are a liquefied natural gas (LNG) plant project under Bac Lieu LNG Thermal Power Centre (Singapore) having a total registered investment capital of $4 billion; the South Vietnam Petrochemical Complex project (Thailand) in Ba Ria-Vung Tau with an increase of adjusted investment capital by $1.39 trillion; the West Lake Urban project (Hanoi) having additional capital of $774 million; Pegatron Vietnam (Taiwan) with an investment capital of $481 million in Haiphong, and Radian Jinyu Tire Manufacturing Factory (Vietnam) with an investment capital of $300 million in Tay Ninh.

Accumulated as of December 20, 2020, the whole country had 33,070 valid projects with the total registered capital of nearly $384 billion. The accumulated realised capital of FDI projects was estimated at $231.86 billion, equaling 60.4 per cent of the total valid registered capital.

South Korea ranked first with registered capital of nearly $70.6 billion (accounting for 18.4 per cent of the total investment). Japan ranked second with nearly $60.3 billion (capturing 15.7 per cent of the total investment capital), followed by Singapore, Taiwan, and Hong Kong.

5. Vietnam GDP growth among world's highest in 2020: GSO

Vietnam's GDP in 2020 grows at an impressive pace of 2.91%, the lowest in a decade but among the world's highest, the General Statistics Office (GSO) has announced.

"As the Covid-19 situations remains complicated around the world, such a positive economic growth could be seen as a major achievement of Vietnam," stated the GSO

Specifically, GDP in the fourth quarter increased by 4.48% year-on-year, the highest quarterly growth in the year, followed by the third quarter growth at 2.69%, second quarter at 0.39% and the first quarter at 3.68%.

In 2020, the sector of agriculture, forestry and fishery has expanded by 2.68%, contributing 13.5% to the overall growth; the sector of industry and construction enlarged by 3.98%, contributing 53%; and the service sector climbed by 2.34%, contributing 33.5%.

The driving forces of the economy in 2020 continues to be the manufacturing and processing with an increase of 5.82%, or 1.25% percentage points to the economy; while electricity production and distribution with a growth rate of 3.92%; water provision and waste water treatment with 5.51%. On the contrary, mining activities suffered a contraction of 5.62%, followed by crude oil of 12.6% and natural gas of 11.5%.

About the structure of the economy in 2020, the sector of agriculture, forestry and fishery made up 14.85%; the sector of industry and construction accounted for 33.72%; the service sector represented 41.63%; and product taxes less subsidies on production accounted for 9.8%.

The productivity is estimated at VND117.9 million per worker or US$5,081, up US$290 against last year.

The incremental capital-output ratio (ICOR) showed signs of improvements, going down from 6.42 in 2016 to 6.07 in 2019, averaging 6.13 in the 2016 – 2019 period and lower than 6.25 in 2011 – 2015.

In 2020, due to the impacts of the Covid-19 pandemic, business and production activities were severely impacted, resulting in a ICOR index of 14.28, averaging 7.04 in 2016-20.

ICOR explains the relationship between the level of investment made in the economy and the consequent increase in GDP. The higher the ICOR, the lower the productivity of capital or the marginal efficiency of capital.

6. Pork prices rise steadily as Tet approaches

Pigs are currently selling for 70,000 - 78,000VND (US$3-3.4) per kilogramme.

Supply is plentiful now, but demand is expected to surge by 25 per cent before Tet (the Lunar New Year), which falls on February 12, experts said.

Le Xuan Huy, deputy general director of the CP Livestock Joint Stock Company, said while prices would definitely increase until Lunar New Year, he did not expect a shock similar to last year.

According to the Ministry of Agriculture and Rural Development, pig stocks have risen back to 85 per cent of the number before the outbreak of African swine fever last year.

Besides, import on the hoof from Thailand has increased sharply as has import of frozen pork in the fourth quarter to keep prices down.

The current price increase is due to a short-term scarcity since some large farms are not selling now to ensure their pigs grow bigger before Tet, according to Huy.

Some farms in the south-eastern region expect live hog prices to increase to VND80,000- 85,000.

Last year, at this time, they had jumped to VND 95,000 - 96,000.

Huy said they were unlikely to breach the VND90,000 mark, pointing out supply was plentiful.

Vu Van Tu, director of the Truong Giang Phat One Member Co Ltd in Dong Nai Province's Bien Hoa City, attributed the price volatility to lower supply due to the impact of African swine fever and higher demand as businesses step up production of pork-based products for Tet.

7. Mechanical engineering industry needs support

Vietnam needs to increase policies to promote the development of the domestic mechanical engineering industry and enable local manufacturers to compete with foreign competitors.

According to the Vietnam Mechanical Association, despite being considered as a spearhead industry, mechanical engineering enterprises have for many years struggled to find ways to develop and compete even in the domestic market.

Nguyen Duong Hieu, chairman of Lidovit Trading and Industrial Joint Stock Company, said current policies for the mechanics market remained unclear, adding that there were no mandatory requirements on the local procurement rates in works or projects which pushed domestic manufacturers into difficulty when competing even in the home market.

Hieu said that his company could not be a direct contractor but must go through a Japanese enterprise to supply screws for the metro project in HCM City.

Vu Van Dao, director of the Southern Petroleum Construction Joint Stock Company, said although his company produced and exported around 90 percent of mechanical equipment in the petroleum sector to more than 30 countries worldwide, it failed to access the domestic market.

Dao said his company must go through two foreign enterprises to become contractor of some local petroleum projects.

The shortage of policies and capital was a major difficulty hit for mechanical engineering enterprises, Dao Phan Long, president of the Vietnam Mechanical Association, said.

Long said that to develop key mechanical products, enterprises needed support in term of policies, especially domestic market protection policies.

It was also necessary to provide support policies for project owners who used domestically-produced mechanical products, he added.

Specifically, a stable loan interest rate of five percent could be put into consideration.

In order to promote the development of the domestic mechanical engineering industry, the Ministry of Industry and Trade had proposed a number of policies. One was to encourage large projects, especially State-funded, to use domestically-produced mechanical products.

The ministry said that it was necessary to have land incentive policies for projects which produce key mechanical products, which was similar to policies to encourage investment in agriculture and rural development.

The ministry proposed projects which produce key mechanical products be provided with exemptions of land lease fees in the first 11 years of operation and reduction by 50 percent for a further five years.

Policies to attract foreign investments and promote the development of the supporting industries for the mechanical engineering industry were also needed, the ministry said.

Corporate News

8. NAF: Report on the use of capital from the private placement

↑ 3.37%

Nafoods Group Joint Stock Company reports the use of capital from the private placement as follows:

I. Result of the private placement:

1) Stock name: Stock of Nafoods Group Joint Stock Company

2) Stock type: common stock

3) Par value: VND10,000/share

4) Offering volume: 905,950 shares

5) Total net proceeds: VND11,816,305,850

6) Beginning date of the private placement: May 29, 2020

7) Ending date of the private placement: June 22, 2020

II. Report on the use of capital of private placement:

No.	Purpose	Disbursement amount (VND)
1	To pay for costs of purchasing raw materials and processing	1,816,305,850
2	To pay for freight charge	1,816,305,850
	Total disbursement amount	11,816,305,850
	Remaining amount	0

9. HDB: HDBank issues convertible bonds to foreign financial institutions

↓ -0.63%

Two major reputed Asian financial institutions have registered to buy all 1,300 international bonds for a total of $130 million that the bank plans to issue in 2020.

It earlier signed an agreement to issue convertible bonds and enter into a strategic tie-up with DEG, a development finance institution owned by German state-owned development bank KWF.

According to information received from the Ho Chi Minh Stock Exchange, DEG has invested $30 million in the convertible bonds.

Thus, HDBank has mobilised $160 million from the international market to supplement its tier 2 capital in accordance with the resolution approved by the general meeting of shareholders and the board of directors, and get ready for high growth plans in line with its strategy.

Besides these investment agreements, international investors and HDBank have also signed a strategic agreement to foster Vietnamese financial and banking industry, especially HDBank.

HDBank's strategic cooperation with major and reputed investors around the world attest to the trust international investors have in Viet Nam's banking industry outlook and HDBank's growth potential and operation quality.

HDBank recently completed a second hike in charter capital to more than VND16.088 trillion ($693.7 million) by paying dividends in shares.

After two dividend payments and a bonus issue, existing shareholders got a total of 65 per cent.

Amid the world economy's tribulations due to the impact of the Covid-19 pandemic, HDBank achieved positive business results, while bad debts and other safety indicators are at excellent levels.

International credit rating agency Moody's recently announced it is maintaining the B1 credit rating for HDBank, with an assessment that the lender has made positive progress in improving asset quality and capitalisation, and achieved high profitability and sustainability.

The bank believes that it will fulfil its 2020 plan and is ready to achieve breakthroughs.

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