



VIETNAM DAILY NEWS

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Market Analysis

1. Stocks climbs on strong money flow, gold surpasses VND55 million

Large caps accelerated in Wednesday's afternoon trade, helping lift the VN-Index which slipped in the morning due to big divergence in key industries.

On the Ho Chi Minh Stock Exchange, the VN-Index increased 0.54 per cent to close the session at 1,014.32 points.

Liquidity continued to rise with 684.5 million shares worth VND14.3 trillion (US\$616.4 million) traded, up 17.3 per cent in volume and 22.2 per cent in value compared to Tuesday's figures.

Especially on Wednesday, 160 million shares of Development Investment Construction JSC (DIG) worth VND3.44 trillion changed hands through a put-through deal.

The market breadth was positive with the number of gaining stocks outnumbering the losing ones by 229-202. Another 89 closed flat.

"Strong money is flowing in the stock market to seek the best profits. There is no change in market trend to falter this money flow," said Bao Nguyen, a stock analyst at Viet Dragon Securities Co, in a daily report.

However, he said although the market was strong, it was not spreading to all sectors, with most of the money flow focused on key industries.

Sixteen of the top 30 largest shares by market value and liquidity advanced on Wednesday and 12 declined.

Many heavyweight stocks grew strongly in the afternoon session, including PV Power (POW) which hit the ceiling of a 10-per-cent growth; Vinhomes (VHM), sugar maker Thanh Thanh Cong-Bien Hoa Co (SBT), Techcombank (TCB) and

Military Bank (MBB), each climbing by more than 2 per cent.

Vietcombank (VCB), Vietjet (VJC), brewer Sabeco (SAB), Saigon Securities Inc (SSI) and Khang Dien House Trading and Investment (KDH) increased by more than 1 per cent.

According to BIDV Securities Co (BSC), the VN-Index is forecast to continually fluctuate around 1,000 points in several sessions but still experience a wide divergence among stock sectors.

"Capital starts to flow into the sectors that have yet to rise significantly to seek profit," said BSC's analyst Tran Xuan Bach in a daily report.

On the Ha Noi Stock Exchange, the HNX-Index increased 1.25 per cent to close the session at 150.8 points.

Nearly 70 million shares worth more than VND1 trillion were traded here.

Gold climbs

Gold prices kept rising this morning with retail prices surpassing VND55 million (\$2,371) per tael. A tael is equivalent to 1.2 ounces.

Saigon Jewelry Co listed their buying/selling prices of SJC gold at VND54.45 million and VND55.1 million per tael, respectively, up VND880,000 per tael against Tuesday's closing prices.

Prices of SJC gold brand at Bao Tin Minh Chau Jewelry (BTMC) and Doji also increased strongly, trading around VND54.45 million for buying and VND54.95 million for selling at BTMC and VND54.4 million and VND54.05 million at Doji.

Macro & Policies

2. MPI mulls second stimulus package

Amid the severe impacts of the Covid-19 pandemic, the Ministry of Planning and Investment (MPI) is gathering public opinion on its proposal of a second stimulus package.

This time, the focus of the government support would be for enterprises with high spillover effects to the economy, especially in fields of aviation, tourism and consumer products.

In addition to a proposal of a government-guaranteed loan package of VND11 trillion (US\$414.17 million) for airlines, the MPI is considering a 70% cut in environmental protection tax for jet fuel in 2021 and lowering the escrow money for travel agencies by 80% for two years.

The government has rolled out the first stimulus package consisting of a credit aid package worth VND300 trillion (US\$12.87 billion), including a VND180-trillion (US\$7.63 billion) fiscal stimulus package in forms of the payment delay of value-added tax and corporate income tax, and a financial support package for vulnerable people worth VND62 trillion (US\$2.7 billion).

However, a study from the Central Institute for Economic Management (CIEM) suggested the result of the first package left much to be desired. Specifically, in a VND62 trillion financial support, only VND400 billion (US\$17.2 million) was disbursed for enterprises and VND2.5 trillion (US\$107.8) million for people affected by the pandemic.

Meanwhile, the majority of the VND180 trillion fiscal package remains undisbursed, as the administrative procedures are complicated and only valid for a short period of time.

A survey from the National Economics University conducted from mid-September to mid-October on six economic sectors hardest-hit by the pandemic (tourism and hospitality; finance, insurance and banking; logistics; textile; IT; and real estate) revealed that up to 40% of enterprises were forced to scale back or even suspend operation, and only 20% received support from government's supporting programs.

Under the survey, enterprises pointed to two reasons for such a low proportion of enterprises accessing stimulus package, including the inability to qualify for the support requirements, or 55% of the total, 26.2% for lacking of information about the package.

Notably, 14% of respondents blamed for complicated procedures and lack of transparency.

Economist Can Van Luc said the economy is in need of a second stimulus package worth VND150 trillion (US\$6.47 billion), or 2.5% of the GDP, while continuing to push for the first package with 75% of the amount undisbursed.

The MPI is currently seeking feedback from ministries and government agencies for the new program.

Vice Chairman of Vietnam Leather, Footwear and Handbag Association (Lefaso) Phan Thi Thanh Xuan said as Vietnam's major export markets, including the US and EU, are struggling with Covid-19 impacts, developing business in the domestic market is seen as a necessary situational solution for local firms.

Ms. Xuan suggested the government to continue extending support programs such as removing and delaying taxes payment, as well as simplifying administrative procedures for enterprises to access credit packages, among others.

"This is particularly important as the number of enterprises halting operation in the January-October period has surged 58.7% year-on-year to 41,783," Xuan said.

Given the fact that the Covid-19 situation remains serious globally and a higher level of the Vietnam's economic openness, insiders have said that the government needs to have a long-term macro strategy for economic recovery. The support packages should be carried out at the right time to avoid severe consequences for the business community.

3. Enhancing competitiveness to welcome investment flows from ASEAN

Promoting investment in general and ASEAN's investment in particular will contribute to reviving economic growth, creating jobs, enhancing cohesion and improving competitiveness and the strength of the ASEAN business community.

In the context of the COVID-19 outbreak having paralyzed the global supply chains, ASEAN has become an increasingly attractive destination for investment shift. Investors from Europe, the US, Japan, and the Republic of Korea all consider ASEAN a potential alternative destination.

As for Viet Nam, with its fast-growing economy, stable politics, a young population and quite competitive labor costs, Viet Nam has emerged as one of the countries attracting the most FDI in the ASEAN region.

Thus far, ASEAN investors' FDI pledges to Viet Nam have reached about US\$82.2 billion, accounting for 21.6% of the total FDI inflows into the country.

The average size of an investment project of ASEAN countries in Viet Nam is US\$19.9 million, higher than the average size of FDI projects in Viet Nam. Singapore is the leading ASEAN member country in terms of FDI inflows into Viet Nam with a registered capital of US\$54.9 billion, representing 15.5%, followed by Malaysia and Thailand with US\$12.7 billion and US\$12.4 billion, respectively.

These are not only Viet Nam's leading investment partners in ASEAN, but also the leading investment partners of the country in general. Singapore,

Thailand and Malaysia are among the top 10 countries and territories with large investments in Viet Nam.

Chairman and CEO of SCG Group (Thailand) Roongrote Rangsiyopash said that his firm has invested nearly US\$4.2 billion in Viet Nam, mostly in the petrochemical industry.

Currently, many enterprises from Singapore, Thailand and Malaysia are exploring opportunities to promote investment in southern provinces, especially Dong Nai, Binh Duong, Ho Chi Minh City, and Ba Ria-Vung Tau.

They are interested in projects in the fields of transport infrastructure, commercial services, real estate, social housing, solar energy and waste treatment.

According to the Ho Chi Minh City Business Association, Viet Nam has many advantages to draw FDI from the ASEAN region, with the successive signing of new-generation FTAs such as the CPTPP, EVFTA, EVIPA, and most recently the RCEP; the successful control of the COVID-19 pandemic; a young workforce with high mobility; and labor costs and the average land rental at industrial zones 45-50% lower than that of other nations in the region (Thailand, Malaysia, Indonesia).

In addition, Viet Nam's corporate income tax is currently in the lowest group in Southeast Asia, while businesses in the country's industrial zones enjoy many preferences in terms of tax and visa.

4. Vietnam's carbon credit market sees lots of market space

Great potentials

Analysis from environmental experts shows that steel production and solid waste treatment can immediately be exploited as the revenue source for the carbon credit trading market. As for the steel industry, there are currently over 300 small and medium-sized enterprises producing cast iron and steel.

This industry is also maintaining a high growth rate, estimated at 18 percent per year for production materials and 20 percent for consumption. However, the priority to invest and develop this industry in a long time of lacking strict control on production technology has made gas emissions of this industry larger and larger, seriously affecting the quality of the environment.

A survey by the Department of Energy Saving under the Ministry of Industry and Trade shows that, on average, to produce 10 million tons of steel, factories in Vietnam emit about 21 million tons of carbon dioxide (CO₂) into the environment. Emissions of the whole steel industry are estimated at 122.5 million tons of CO₂ in 2025 and increase to about 133 million tons of CO₂ in 2030, accounting for 17 percent of the total national emissions. The reason is that most steel factories are dependent on fossil fuels or electricity.

As for the field of household solid waste treatment, the report of the Ministry of Natural Resources and Environment (MoNRE) states that, on average, the amount of solid waste generated nationwide is about 12 million tons each year. Up to 90 percent of total solid waste must be treated by landfill technology. Ho Chi Minh City is the place with the highest amount of household solid waste generated in the country, estimated at nearly 3.5 million tons per year, and 90 percent of this total amount of waste is being treated by burying.

The inventory results of greenhouse gas for solid waste treatment activities carried out by the Ministry of Construction show that the amount of greenhouse gas emissions generated from landfills had increased from 6.5 million tons of CO₂ in 2014 to 8.1 million tons in 2017 and is expected to exceed 10 million tons of CO₂ in 2020.

Cutting greenhouse gas emissions from the two above fields not only reduces the risk of environmental pollution but also becomes a foundation for Vietnam to complete the mechanism of establishing a carbon credit trading market in the coming time.

Mr. Nguyen Tuan Quang, Deputy Director of the Department of Climate Change under the MoNRE, said that with the steel industry, just by replacing fossil fuels with renewable energy sources, it can reduce 13.5 percent of total CO₂ emissions. This ratio will also decrease by 25 percent if using biomass coal. Especially, if using renewable electricity in steelmaking technology with electric arc furnaces, the probability of reducing gas emissions will be up to 70 percent. As for the field of solid waste treatment, it is estimated that using methane gas collected from solid waste deposited in landfills can help reduce up to 60 percent of emissions generated during the landfilling. However, if the waste is sorted in combination with

the application of waste-to-energy incineration technology, the amount of generated emissions will be reduced by up to 90 percent.

Lack of facilities

The effective implementation of greenhouse gas emission reduction in the two industries is also the way that Vietnam implements the United Nations Framework Convention on climate change. Accordingly, the Government has committed to reducing gas emissions by 9 percent in September this year compared to the usual scenario with domestic resources and by 27 percent with international support.

However, according to many enterprises, to establish a complete carbon credit trading market, lots of infrastructures still need completing. First, we have to price carbon. It is a necessary and sufficient condition for investors and enterprises to buy and sell carbon credits, opening up new directions in environmental protection, and requiring production facilities to invest in reducing gas emissions or paying money for carbon credits.

On the other hand, it is necessary to build and promulgate the greenhouse gas inventory system and greenhouse gas emission monitoring and estimating system at the national, regional, sectoral, sub-sector, and manufacturing establishment levels accurately and transparently following international requirements and standards. Next, it is necessary to develop and promulgate a set of criteria to determine the greenhouse gas emission limit for each industry, sub-sector, and manufacturing establishment.

In another perspective, Mr. Huynh Minh Nhut, Head of the Ho Chi Minh City Urban Environment Company Limited, said that it is essential to speed up the construction of infrastructure for the ecosystem of waste recycling. For instance, in HCMC – the place accounts for 74 percent of landfill waste nationwide, the classification of solid waste at source has not been conducted synchronously. This situation leads to the risk of a lack of input materials for solid waste treatment plants using waste-to-energy incineration technology approved by the People's Committee of HCMC.

Lately, the company has cooperated with the plastic packaging recycling coalition to invest in building a network to collect and treat recyclable waste from

the program of sorting household solid waste at the source. It will be the foundation for building the model of waste treatment and recycling center, contributing to increase the operational efficiency of the waste treatment plant into clean electricity and minimize the amount of gas emissions from waste.

The Government needs to tighten investment attraction, as well as improve production technology, which is outdated at enterprises.

Especially in the context that Vietnam is an attractive destination for many foreign investment flows and is a safe place to move global supply chains to. Obviously, besides the goal of responding to climate change, the carbon pricing tool also contributes to environmental protection, encourages clean development investment, as well as mobilizes necessary financial investments to encourage technology innovation, and promote new driving forces for low-carbon economic growth.

5. Vietnam's economy – a bright spot in volatile world: gov't meeting

Removing bottlenecks for local production and business activities must receive top priority so as to promote the economic development, Prime Minister Nguyen Xuan Phuc said at the monthly government meeting on December 2.

Reports from relevant ministries and sectors showed that the Vietnamese economy could expand 2.5-3 percent in 2020, while many international organisations forecast it could grow 2.5-2.8 percent in the year, the PM added.

Amidst complicated developments of the COVID-19 pandemic, Vietnam remains a bright spot in the global economy thanks to its positive economic signs during January-November, including stable macro economy and low inflation rate.

In the 11-month period, trade surplus swelled to a record of 20.1 billion USD, he said, adding 31 groups of commodities joined the over-one-billion-USD club, accounting for 92 percent of the total export revenue.

Disbursement of public capital was pushed ahead, reaching 79.3 percent of the yearly plan and up 34 percent as compared to the same time last year, he said.

PM Phuc laid stress on robust industrial production, which grew 9.2 percent year-on-year, and the

upwards trend of trade and service activities in November, with total retail sales of goods and services in the month rising by 8.5 percent.

At the meeting, PM Phuc also recalled the success of the 37th ASEAN Summit and related meetings, including the adoption of record 84 documents and signing of the Regional Comprehensive Economic Partnership (RCEP) that creates a market covering nearly half of the world's population, or about 2.2 billion people.

Regarding the settlement of consequences of natural disasters and floods, the Government took timely response to emergency cases, and granted nearly 16,000 tonnes of rice and some 1.3 trillion VND to support flood-hit region.

Regarding the recent COVID-19 community infection case, he underlined the need to quarantine, and emphasising the definition of the cause, and strict punishment for violations of COVID-19 prevention rules committed by individuals. He also asked localities nationwide to stay vigilant to prevent the pandemic.

In addition, he asked relevant authorities to ensure safety and success for the upcoming important events in December, such as the second National Congress of Vietnamese Ethnic Minorities, and the 10th National Patriotic Emulation Congress.

6. Aviation industry needs 3 more years to recover

Vietnam's aviation industry is predicted to take three years to return to the pre-Covid level of 2019,

according to Deputy Head of the Civil Aviation Authority of Vietnam (CAAV) Pham Van Hao.

There were two scenarios forecast by the International Civil Aviation Organization (ICAO) for the world's aviation industry, Mr. Hao said at the national conference under the theme "Overcoming crisis, developing Vietnam's aviation sustainably" held recently in Hanoi.

In the first scenario, the aviation industry will take a V-shaped recovery, plunging to the bottom and then rebounding strongly. In the second scenario, it will be a U-shape convalescence, in which the industry will sink to the bottom and remain there for 3-5 months, along with economic downturn. As a result, the aviation market will decline 48-71% depending on the situation of the pandemic.

Mr. Hao predicted that the first scenario will happen to Vietnam aviation. The CAAV, after consulting market research firms, will submit the schedule on reopening borders for international flights to the government. The reopening, however, would not be carried out broadly, taking into consideration of disease prevention measures.

Ms. Ho Ngoc Yen Phuong, Vietjet's Deputy General Director, said the low-cost air carrier suffered a nine-month cumulative loss of VND2.4 trillion (US\$103.4 million). She also proposed the government to direct credit institutions to offer low-interest loan to the carrier in a term for 3-5 years.

Mr. Nguyen Tien Hoang, deputy head of Planning and Development Department at Vietnam Airlines (VNA), said that Vietnam's aviation loss was estimated at US\$4 billion this year.

"The national flag carrier is likely to be the hardest hit by Covid-19 among others, making a lost of about VND14 trillion-VND15 trillion (US\$603.5 million-\$646.6 million) this year.

In the context that the purchasing power is weak and inbound tourism still suspended, the airlines have dropped airfares to stimulate domestic travel.

The VNA predicts that the economic downturn and the fear of catching coronavirus on flights will hinder the recovery of the aviation industry.

Deputy Minister of Transport Le Anh Tuan said that the government has paid great attention to the development of the aviation industry. In addition to financing or creating favorable mechanism to lure investment in infrastructure development, including transport infrastructure and air fleet expansion, the government has focused on building a legal framework to ensure the efficient operation of the industry.

7. Freight and logistics stocks on the rise despite pandemic

According to the General Statistics Office, the country's exports topped US\$254 billion during the first 11 months of the year, making for an increase of 5.3 per cent over the previous year, while imports were estimated at \$234.5 billion.

Increased trade activities coupled with a number of international trade deals which were recently signed or came into effects such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Vietnam Free Trade Agreement (EVFTA) and the Regional Comprehensive Economic Partnership (RCEP) have significantly boosted investors' confidence in logistics stocks.

A number of stocks such as VSC, GMD, DVP, DXP, SFI and HAH have seen double-digit growth in recent

months and some of them set all-time high records on the trading floor.

Experts, however, pointed out the recent rise in stock value did not necessarily come from better business performance but rather investors' optimism in the sector's future. For example, despite the increased trading value, Gemadept has reported a 32 per cent drop in profit in the first three quarters, Tan Cang Logistic (TCL) a 15 per cent drop and Hai An Logistics a 9 per cent drop.

A container shortage, typically experienced by logistics firms during the end of the year when import/export activities are at the highest level, especially for an export-oriented economy such as Viet Nam, contributed to an increase in logistics costs.

A report from the Vietnam Logistics Business Association (VLA) showed more than 40 per cent of firms had difficulty finding containers for their cargo with up to 17 per cent unable to rent them. This has created a large backlog of cargo at port and storage facilities across the country, which generated additional revenue for logistics firms.

Meanwhile, freight charges have skyrocketed in recent months. According to Freightos, a Hong Kong-based shipping company, the freight charges

for a 40-foot container from China to the US west coast has almost tripled to near \$4,000.

Investors also seem to be betting on an increase in port charges as Viet Nam's current prices were comparatively low in the region. A statement from the VLA said the sector has set an objective to bring charges to 60-70 per cent of the region's price level by 2025, which they have planned to start bringing up at the beginning of next year.

Corporate News

8. HDC: HDC to sell treasury shares

↑ 3.63%

On November 24, 2020, the Board of Directors of Ba Ria – Vung Tau House Development Joint Stock Company approved the plan for selling its treasury shares as follows:

- Number of treasury shares before trading: 640,829 shares
- Number of treasury shares registered for sale: 640,829 shares

- Selling price: market price
- Purpose: to increase the working capital
- Trading method: order-matching and/or put-through
- Trading period: in Quarter IV of 2020.

9. HDB: Result of stock dividend payment

↓ -1.12%

Ho Chi Minh City Development Joint Stock Commercial Bank has reported the result of share issue for dividend payment as follows:

- I. Information on stock:
- 1) Stock name: Stock of Ho Chi Minh City Development Joint Stock Commercial Bank
 - 2) Charter capital: VND12,707,763,650,000
 - 3) Number of outstanding shares (before the issuance): 1,270,776,365 shares
 - 4) Number of treasury shares (before the issuance): 15,081,522 shares
 - 5) Stock type: common share
 - 6) Stock code: HDB
 - 7) Par value: VND10,000/ share
 - 8) Number of shares expected to be issued: 338,072,453 shares
 - 9) Purpose: to pay stock dividends for 2019
 - 10) Record date: November 30, 2020

- II. Result:
- 11) Ex-right date: November 30, 2020
 - 12) Estimated trading date: in December 2020
 - 1) Number of distributed shares: 338,072,453 shares
 - To pay stock dividends for 2019: 338,068,202 shares
 - The fractional shares were donated to union: 4,251 shares.
 - 2) Number of distributed shareholders: 10,239 shareholders
 - 3) Plan to deal with fractional shares: The distributed shares will be rounded down. The fractional shares will be donated to union.
 - 4) Total current shares:
 - Outstanding shares: 1,593,767,296 shares
 - Treasury shares: 15,081,522 shares

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