



VIETNAM DAILY NEWS

December 30th, 2020



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Market Analysis

1. Shares advance on high demand, VN-Index nearing 1,100 points

Shares advanced on Tuesday on strong demand that bolstered large-caps stocks, pushing the benchmark VN-Index close to the 1,100-point level.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.75 per cent to end Tuesday's session at 1,099.49 points.

The index had gained 0.64 per cent to end Monday's session at 1,091.33 points.

Nearly 679 million shares were traded on the southern bourse on Tuesday, worth VND14.5 trillion (US\$629.5 million).

Market breadth was positive with 275 gainers and 174 decliners.

The large-cap tracker VN30-Index was up 0.39 per cent to 1,058.39 points.

Eighteen of the 30 large-cap stocks in the VN30 basket increased while 10 declined.

"VN-Index increased gradually in the morning and reached almost 1,100 in early afternoon and held around this level until the end of the trading time," said BIDV Securities Co.

"Foreign investors continued to be net sellers on both HoSE and HNX. Besides, market breadth was in a positive status and liquidity decreased compared to the previous session. In our opinion, VN-Index is likely to fluctuate around 1,100 in the next days," the company said.

Foreign investors net sold VND385.02 billion on HOSE, including confectionary company Bibica Corporation (BBC) (VND479.4 billion), SSI

Securities Corporation (SSI) (VND74.7 billion) and Vinh Hoan Corporation (VHC) (VND56.5 billion). They were net sellers on the HNX with a value of VND11.49 billion.

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

They all gained between 0.02 and 3.5 per cent.

On the opposite side, losers were securities, agriculture, seafood processing and construction.

A number of blue-chips attracted cash flow such as Vinhomes (VHM), Vietcombank (VCB), Bank for Investment and Development of Vietnam (BID), Vincom Retail (VRE), Bao Viet Holdings (BVH), Vingroup (VIC) and Sabeco (SAB), strongly supporting the VN-Index.

Banking group witnessed differentiation with Vietcombank (VCB), Bank for Investment and Development of Vietnam (BID) and Techcombank (TCB) all gained strongly. Meanwhile, Vietinbank (CTG), Military Bank (MBB), Asia Commercial Bank (ACB) and Sacombank (STB) declining.

On the Ha Noi Stock Exchange, the HNX-Index climbed 0.27 per cent to 197.10 points.

It had climbed 2.14 per cent to end Monday at 196.57 points.

Nearly 164.5 million shares were traded on the northern market, worth VND2 trillion.

Macro & Policies

2. Business formations in Vietnam down 2.3% in 2020 amid Covid-19 pandemic

New business formations in December decreased by 18.4% month-on-month to 10,700, but the total number in 2020 remained encouraging at 134,900 amid the Covid-19 impacts, a slightly down of 2.3% year-on-year, according to the General Statistics Office.

This month witnessed a surge of 25.3% month-on-month in combined registered capital to VND356.8 trillion (US\$15.45 billion) and a fall of 39% in the number of workers hired by new enterprises to 73,000.

The number of newly-established enterprises in Vietnam in 2020 was 134,900 with registered capital of a combined VND2,235.6 trillion (US\$96.8 billion), down 2.3% in number but up 29.2% in registered capital year-on-year. Average registered capital per newborn enterprise was VND16.6 billion (US\$719,000) during this period, up 32.3% year-on-year.

Taking into account VND3,341.9 trillion (US\$144.7 billion) of additional capital pumped by active enterprises, total registered capital injected into the economy in 2020 was VND5,577.6 trillion (US\$241.52 billion), up 39.3% year-on-year.

The government-run office informed that 44,100 enterprises resumed operations in the period, an

increase of 11.9% inter-annually, bringing the total number of newly-registered and reinstated enterprises in 2020 to 179,000, up 0.8%.

The GSO added that the number of laborers hired by newly-established enterprises this year was 1.04 million, down 16.9% against the same period last year.

During this period, the number of enterprises temporarily ceasing operations surged 62.2% year-on-year to 46,600.

Moreover, the number of enterprises which completed procedures for bankruptcy was up 3.7% to 17,500.

A survey on the business sentiment in the manufacturing and processing sector in the fourth quarter showed 40.6% of enterprises saw improvements in business performance compared to the previous quarter; 24.7% were facing difficulties and 34.7% said their businesses remained stable.

For the first quarter of 2021, 42.8% of the surveyed enterprises predicted a positive outlook for their operation compared to the fourth quarter of this year; 19% expected more difficulties and 38.2% saw stability.

3. Vietnam Maritime Administration urges transparency in container shipping rates

“Not only of trader’s report on recent hikes in fees of freight, they have also expressed concern about the shortage of empty containers for exports,” noted the VMA.

The VMA expected all shipping companies to submit in detail freight fees back to the agency, which should be in line with the government’s Decree No.146/2016/ND-CP detailing regulations on publishing of fees and surcharges of ocean container shipping and seaport charges.

“In addition to ensure publicity and transparency of the container shipping rates and any potential price

hikes, shipping companies are expected to prevent cases of exploiting the market volatility for unfair gains and disrupt the sea freight market,” added the VMA.

The VMA requested shipping firms to prepare sufficient amount of 40-foot empty containers to support export activities, especially during a current peak time of trade.

Since November, most shipping companies have announced price hikes of two to 10-fold in transportation fees. Vietnam Association of Seafood Exporters and Producers (VASEP) has informed the

container rental fee to the UK in October was listed at US\$1,420 per 20-foot container, but rose to \$5,420 in November and \$7,200 in December. Similarly, container rental fee from Vietnam to Los Angeles before October stood at \$700-1,000 per container, and now is listed at \$5,000.

Meanwhile, container shipping rate from Thailand to Vietnam before October was \$60 per container, but skyrocketed to \$600 in November.

Shipping firms are reported to move their empty containers to China to take advantage of high sea freight fee in the country, causing a shortage of containers in Vietnam and resulting in a high fee for forwarders.

4. Vietnam's tra fish exports to China take sharp plunge in November

According to a report released today, December 28, by the Vietnam Association of Seafood Exporters and Producers (VASEP), the export of the fish to China and Hong Kong in October and November was gloomy.

Given this situation, VASEP called on local exporters to stay calm and not reduce the export price of tra fish, as lowering export prices will not help the goods that are stuck at ports and will leave a negative impact on shipments bound for China.

VASEP's market analysts said that a huge volume of commodities was stuck at the border gates due to the prolonged surveillance and food sample testing process, affecting Vietnam's tra fish exports to this neighboring market.

Further, local exporters should work closely with importers to stay updated on the export process, aimed at preventing goods from getting stuck at ports and negotiating to adjust the export schedule more appropriately, said the representative.

Earlier, VASEP announced that China had stepped up efforts to contain the spread of the novel coronavirus through imported frozen seafood products from November 10. Specifically, the Chinese competent forces have adopted surveillance, disinfection and origin traceability measures for all consignments of frozen seafood products shipped to China's major ports such as Shanghai, Wuhan and Qingdao.

VASEP had proposed that the ministries of Agriculture and Rural Development, Industry and Trade and Foreign Affairs work jointly with the Chinese authorities to eliminate the obstacles facing local seafood exporters, as Vietnam has brought the Covid-19 pandemic under control.

Frozen seafood shipments from Vietnam, including tra fish fillets, have to be subject to food and packaging tests at the ports. However, the prolonged surveillance and testing process led to a huge volume of commodities getting stuck at the ports.

In the year to November, Vietnam exported tra fish worth some US\$485 million to the China-Hong Kong market, up 7.6% against last year's figure. Also, this turnover accounted for 35.7% of Vietnam's total outbound sales of the fish in the 11-month period.

5. Retail sales growth to bounce back to pre-COVID-19 levels in 2021: VNDirect

Vietnam's retail sales growth will bounce back to pre-COVID-19 levels next year, reaching 8.5-9 percent year-on-year, according to VNDirect Securities.

rebound in the third quarter that saw unemployment fall 0.23 percent against the previous quarter to 2.5 percent.

The projection was made on the back of the country's successful containment of COVID-19, which was a major contributor to the economic

VNDirect also predicted that consumer confidence is likely to recover soon, against a backdrop of COVID-19 vaccines expected to be available in 2021.

With the rapid growth of the middle class and rising per capita income, domestic consumption remained the main growth driver of the retail industry, even during COVID-19.

Total retail sales of goods and services in the first 11 months increased 6.8 percent compared to the same period last year.

The Conference Board and Nielsen reported that Vietnam was the second-most optimistic country globally, after only India, in the second quarter, with a Consumer Confidence Index of 117 points, which was actually down 9 points compared to the previous quarter.

The Ministry of Industry and Trade expected the domestic trade sector's added value to contribute

13.5 percent to GDP by 2025 and total retail sales of goods and services to grow around 9-9.5 percent annually over the next five years.

The ministry forecast that total retail sales would reach nearly 350 billion USD by 2025, or 1.6 times higher than in 2020.

The market's recovery offers huge opportunities for retailers to expand their distribution networks. Saigon Co.op is targeting to add at least 2,000 stores to its chain over the next five years, with revenue rising 8-10 percent annually. Major Japanese retailer Muji, which sells a wide variety of household and consumer goods, has opened its first store in Vietnam, in HCM City, and is planning to open another in Hanoi.

6. Garment-textile, footwear sectors pin high hope on UKVFTA

The UK-Vietnam Free Trade Agreement (UKVFTA), expected to come into force in the beginning of 2021, is promising several export opportunities to the European market for Vietnamese garment-textile and footwear enterprises.

According to the Ministry of Industry and Trade, the proportion of Vietnamese goods currently accounts for just 1 percent of the UK's annual import turnover of nearly 700 billion USD. With the UKVFTA, Vietnamese enterprises will gain more advantages to bring goods to the market, especially when the EU – Vietnam Free Trade Agreement (EVFTA) is no longer applicable to the UK after the Brexit.

The EVFTA is expected to fuel the growth of Vietnam's textile and garment industries by 6 and 14 percent by 2030, with similar benefits seen in the UKVFTA.

Vu Duc Giang, Chairman of the Vietnam Textile and Apparel Association (VITAS), said that, along with other agreements such as the EVFTA and the Regional Comprehensive Economic Partnership (RCEP), the UKVFTA will create a firmer foundation for the garment-textile sector.

The industry will be enabled to diversify its raw material supplies via importing from Japan and the Republic of Korea for export to the UK and the EU with preferential tax rates, he elaborated, adding that it is a strength that many ASEAN member countries do not have.

Predicting rising apparel demand in these markets in 2021 and 2022, Giang recommended Vietnamese firms pay attention to product origin and technical, labour and environmental standards.

Nguyen Khanh Ngoc, deputy head of the European - American Market Department under the Ministry of Industry and Trade, analysed that the UKVFTA will help Vietnam gain better competitiveness compared to competitors from China, India, and ASEAN.

Minister of Industry and Trade Tran Tuan Anh and UK Secretary of State for International Trade Liz Truss signed the agreed minutes on the conclusion of negotiations over the UKVFTA on December 11. Ninety-nine percent of tariffs on goods traded between Vietnam and the UK will be cut at the end of the tariff elimination roadmap, meaning Vietnam will save about 114 million pounds on exports to the UK, while the figure for the UK will be 36 million pounds.

7. Capital inflows into Vietnam stock market surges 20% to over US\$16 billion in 2020

The amount of capital poured into Vietnam stock market surged 20% in 2020 to VND383.6 trillion (US\$16.64 billion), according to the General Statistics Office (GSO).

The average transaction value in the stock market is estimated at VND7.05 trillion (US\$304.8 million) per session, up 51.5% year-on-year.

On the bond market, the average transaction value climbed 11.3% year-on-year to VND10.24 trillion (US\$444.32 million) per session and VND157.31 trillion (US\$6.8 billion) per session in the derivatives market, up 77%.

At a time when the Vietnamese government has initially contained the Covid-19 pandemic and is now focusing on economic recovery efforts, the stock market, given its characteristic as one of the most flexible investment channels, has emerged as attractive option for investors amid the current low interest rate trend at the moment.

Since the benchmark Vn-Index plunged to its rock-bottom in March with a 25% slump, it has been on the steady rise and stood at 1,091.33 points at market close yesterday [December 28], an increase of 6.91 points (0.64%) against the previous day, which is around 9% below its all-time high of 1,204 in April 2018.

Vietnamese investors have opened 270,400 new accounts to invest in equities during the past 11

months, bringing the total to 2.7 million, with more than 300,000 accounts set to be opened this year.

The 41,200 new accounts opened in November was the highest monthly figure ever. Of this total, 123 accounts were opened for local institutions and the rest for retail investors.

Pyn Elite Fund, an independent Finish fund manager, expected the Vn-Index to reach the 1,800 points, taking into account the companies' earnings growth forecasts, the strong outlook of the Vietnamese economy and the opportunities presented by the modernization of the stock market.

“The index target would be achieved with a gain of 80%,” stated the fund in its latest report.

If the earnings grow as expected, the stock market's P/E ratio would be in the range of 15–16 to equal index level of 1,800 points. Even thereafter, Vietnam's economic growth will surely support even higher valuations and index levels, it added.

As of December 21, the growth rate of M2, which measures money supply that covers cash in circulation and all deposits, increased 12.56% against the end of 2019, while the capital mobilization rate of credit institutions expanded 12.87%, leading to a credit growth of 10.14% year-to-date.

Corporate News

8. HVN: Vietnam Airlines to issue \$346 mln in shares to support recovery

↑ 0.53%

The issuance will be completed by June next year after the carrier received approval from the authorities. All capital raised would pay off outstanding debts, its chairman Dang Ngoc Hoa said at a regular shareholder meeting.

“We have suffered from the worst crisis ever in history due to restrictions of governments around the world to curb the spread of the virus,” Hoa added.

With the uncertainty of the pandemic, Vietnam Airlines has set a target of full recovery and making profit from 2023.

The national flag carrier, 86% owned by the government, expected to make losses of 14.445 trillion dong (\$624.65 million), about 2.4 trillion dong less than previously expected.

To support the airline, the Vietnamese government last month approved a plan to buy new shares from the flag carrier through its State Capital Investment Corp (SCIC).

How many shares SCIC would buy were not revealed at Tuesday's event, but SCIC earlier said it could invest up to 6.8 trillion dong to buy new shares from the airline as part of the support plan. (\$1 = 23,125.0000 dong)

9. NTL: Board resolution on dividend payment

↑ 1.89%

On December 28, 2020, the Board of Directors of Tu Liem Urban Development Joint Stock Company (stock code: NTL) approved the interim cash dividend payment for 2020 as follows:

- Stock code: NTL
- Stock type: common stock
- Par value: VND10,000

- Payment method: in cash
- Exercise ratio: 15%/par value (1500 dongs/share)
- Record date: January 14, 2021
- Payment date: January 27, 2021.

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