VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index hits 30-month peak

The VN-Index surged 0.83 percent to 1,029 points Monday, erasing all Covid-19 impacts and hitting its highest level since June 2018.

The benchmark VN-Index seemed to rise hesitantly in the morning, but soared in the afternoon as buy orders of banking and steel stocks piled in, eventually gaining 8.49 points for the day's session.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw 275 stocks gain and 149 lose, 23 of them hitting their ceiling prices.

Total trading volume fell slightly over the previous trading week to VND10.1 trillion ($434 million).

The VN30-Index for the stock market's 30 largest caps rose 0.78 percent, with 18 stocks gaining and 7 losing. This basket accounted for over 46 percent of trading volume, indicating that investors have been focusing more on mid-caps this session.

Topping gains on the VN30 was HPG of steelmaker Hoa Phat Group, up 3.4 percent, followed by BID of state-owned banking giant BIDV, up 3.2 percent, SAB of major brewer Sabeco and SSI of top brokerage Saigon Securities Inc., both gaining 2.5 percent.

Results were mixed for the other state-owned banks, with VCB of Vietcombank up 2.2 percent, CTG of VietinBank keeping its opening price, and MBB of mid-sized Military Bank edging down 0.2 percent.

In the private banking sector, VPB of VPBank added 1.1 percent, TCB of Techcombank, 1 percent, EIB of Eximbank 0.9 percent, and HDB of HDBank 0.7 percent. STB of Sacombank was the only one that lost, by 0.3 percent.

Other major gainers included VRE of mall operator Vincom Retail, with 1.1 percent, PLX of gasoline distributor Petrolimex, 1 percent, and GAS of energy giant PetroVietnam Power, 0.9 percent.

In the opposite direction, POW of electricity generator PetroVietnam Power topped losses at 0.9 percent, followed by SBT of agricultural exporter TTC-Sugar, 0.5 percent, and VJC of budget carrier VietJet Air, down 0.4 percent.

The only other losing stocks were VHM of real estate developer Vinhomes and REE of Refrigeration Electrical Engineering, both down 0.2 percent.

In similar fashion to the HoSE, the Hanoi Stock Exchange (HNX), Vietnam's second main bourse and home to small and mid-caps, saw its index surge 1.13 percent, and the UPCOM-Index for the Unlisted Public Companies Market added 0.13 percent.

Foreign investors were strong net buyers this session to the tune of VND230 billion on all three bourses, with buying pressure on several key HoSE-listed blue-chips, as well as the FUEVFVND, an exchange traded fund replicating the performance of stocks on the VN Diamond Index.

The VN Diamond Index is a group of 14 stocks, which includes blue chips such as TCB, VPB, MBB, MWG, PNJ, CTG and FPT. The basket of stocks, selected based on their free-float capitalization, was introduced by HoSE last November, and the FUEVFVND began trading on May 12 this year.

Macro & Policies

2. HCMC proposes building five railways

The city has approved a logistics development plan for HCMC until 2025 with a vision toward 2030, targeting that by 2025, the city will become a trade hub connecting localities, contributing to reducing the ratio of logistics costs to gross domestic product by 10%-15%, the local media reported.

To achieve this target, a modern railway system to transport cargo smoothly and connect important seaports in HCMC and the southern region should be developed.

Specifically, the HCMC-My Tho-Can Tho railway, which was initially planned to be over 173 kilometers long with 14 stations and two depots, would pass through six provinces and cities — Binh Duong, HCMC, Long An, Tien Giang, Vinh Long and Can Tho. The railway's first cargo station will be located in Di An City of Binh Duong Province, while its first passenger station will be in HCMC's Binh Chanh District. It will end in Can Tho City's Cai Rang District.

Meanwhile, the HCMC-Tay Ninh route will connect with the HCMC-My Tho-Can Tho railway at Tan Chanh Hiep station in District 12. The railway will have a total length of 139 kilometers, of which a 40-kilometer section from Tan Chanh Hiep station to Trang Bang station in Tay Ninh Province will be developed first.

In addition, a 37-kilometer railway linking Thu Thiem station in HCMC's District 2 and the Long Thanh International Airport in Dong Nai Province was scheduled to include 19 stations to serve passengers who want to travel to the airport.

As for the high-speed railway on the North-South route, construction on the 366-kilometer HCMC-Nha Trang section will be prioritized first. A section from Thu Thiem to Binh Son station in Dong Nai with a length of 32 kilometers will be a high-speed section.

Moreover, a 30-kilometer double-track railway linking the national railway and Hiep Phuoc Port in HCMC's Nha Be District and Long An Port was proposed to transport cargo only. It was designed to link Long Dinh station in Long An's Can Duoc District and Hiep Phuoc Port.

These railways, once complete, will help reduce logistics costs, enhance connectivity in the southern key economic zone and the Mekong Delta and improve the transport of cargo and passengers.

At present, the country has only the North-South railway with outdated infrastructure, hindering the transport of cargo and passengers.

3. Sweden proposes US$2-billion commercial loan for aviation projects in Vietnam

State-owned Swedish Export Credit Corporation (SEK) proposed a US$2 billion commercial loan to build Long Thanh International Airport and terminal T3 for Tan Son Nhat International Airport.

Sweden's Ambassador to Vietnam Ann Mawe revealed the intention at a meeting with Minister of Transport Nguyen Van The on December 4.

Mrs. Mawe added that during the visit of Prime Minister Nguyen Xuan Phuc to Sweden in May, the two countries' prime ministers discussed a potential loan worth over US$1 billion for Long Thanh airport construction and air traffic control activities in Vietnam.

The loan would come with an interest rate of 4.2% per year, including a 1.25% of insurance fee for the loan. To be eligible for the loan, Vietnam is required to use 30% of the total investment capital to purchase Swedish technologies and equipment.

“Among 28 international airports seen as environmentally-friendly, 10 of which have the participation of Swedish enterprises in providing solutions for management and operation,” the Ambassador continued.

At the meeting, Minister The said the ministry would consider thoroughly the proposal and report back to the government.

"We support local aviation firms to access and use this credit, as well as equipment, products and services of Sweden," stressed Mr. The.

The minister said the Vietnamese government gives priority to aviation development.

"In addition to Long Thanh and Tan Son Nhat airports, Vietnam is planning to upgrade other airports, including the Noi Bai International Airport from the current capacity of 30 million passengers per year to 100 million, and the construction and upgrade of other airports of Lao Cai, Van Dong, and Chu Lai," stated Mr. The.

Vietnam would need more solution and equipment in the management and operation of airports, which would open up opportunities for local enterprises to cooperate with its Swedish peers, asserted Mr. The.

The construction of Long Thanh International Airport, the largest of its kind in Vietnam, is set to begin this December.

Under Vietnam's socio-economic development plan in the 2021-25 period, the country would need around US$150-200 billion to finance infrastructure development projects, including airports, seaports, railways and express ways, among others.

Long Thanh airport remains a key investment project for Vietnam, with a capacity of serving 100 million passengers and handling 5 million tons of goods a year, with total investment capital of US$16 billion.

The short-term target of Long Thanh International Airport is to ease the overloading of Tan Son Nhat International Airport in Ho Chi Minh City, and in long-term to become one of the region's air transportation hubs.

4. Vietnam might lose position of leading SE wind market: GWEC

The Global Wind Energy Council (GWEC) has warned that Vietnam might lose its current position as a leading wind market in Southeast Asia if the country proceeds with a feed-in-tariff (FIT) reduction plan for wind power in the next few years.

In a press release on December 3, GWEC said the Vietnamese government's proposed FIT reduction for onshore and intertidal wind power by respective 17.4% and 13.6% could "seriously damage" Vietnam's wind market.

GWEC called the move is one of the most "dramatic" reductions seen for wind power globally, saying that this FIT cut threatens to deter investment and derail the long-term growth.

GWEC made the press release following the Vietnamese government's recent decision to approve an extension of FIT scheme for wind power submitted by the Ministry of Industry and Trade (MOIT).

The proposed new FIT rates, which will be 7.02 US cent/kWh for onshore wind and 8.47 US cent/kWh for intertidal/nearshore wind, would apply to projects commissioned from November 2021 to December 2023.

Why does reduction matter?

GWEC, based on market forecasts and experience in other wind markets, said such FIT cut would derail investment in new and planned wind projects in Vietnam.

In addition, difficulties in the Covid-19 pandemic together with challenges in an early stage of the wind market would dishearten investors and hurt Vietnam's new wind capacity that is expected to increase by up to 80% in 2023, and a further 25% per year thereafter.

Thousands of people would be deprived of job opportunities and billions of dollars in inward investment would be missed following the reduction.

GWEC estimated that the slowdown would result in around 4 gigawatts (GW) of total installed wind power capacity in Vietnam by 2025 – far below the country's potential and a likely drastic shortfall from government targets, given the MOIT already records 2.9GW of projects with signed power purchasing agreements (PPAs).

Ben Backwell, CEO of GWEC said: "The wind industry is on the cusp of achieving economies of scale and cost reductions which will make Vietnam the leading wind market in South East Asia, but if the proposed FIT is implemented, it would jeopardize long-term development and ultimately result in higher energy prices at a time when the country's energy demand is soaring."

He said Vietnam should avoid creating a similar 'boom and bust' cycle so the country can benefit from the cost-competitive prices and socioeconomic benefits wind power can offer.

Mark Hutchinson, Chair of GWEC's South East Asia Task Force said a steep reduction with no consideration for pandemic-related challenges will shrink Vietnam's wind project pipeline and lead to a likely shortfall of wind targets again in 2025.

The current FIT for wind power was introduced in September 2018 and sparked investors' interest, given Vietnam's strong wind resource potential, rising power demand and decarburization goals.

However, GWEC Market Intelligence has downgraded its 2020 forecast for new wind power installations in Vietnam by 75% to 125 megawatts (MW) due to delays in the implementation of Law on Planning and disruptions from Covid-19.

This will bring cumulative wind capacity to only 472MW by the end of this year, which means that the country will miss its target of 800 MW of wind power capacity by 2020, set in the Power Development Plan VII, by 41%.

Notably, an installation rush was expected in 2021 ahead of the expiry of the current FIT, but prolonged delays mean much of the expected volume may spill over into 2022.

GWEC has recommended a 6-month extension of current FIT levels to allow projects in the current pipeline to come online, followed by a milder FIT reduction for onshore and intertidal/nearshore wind projects commissioned from May 2022 onward.

Vietnam is making efforts to diversify its power mix to feed the growing economy. Over the past years, the electricity prices have been keeping up. The increasing power prices have largely contributed to the commodity price hike, triggering public concerns over expensive cost in the country with per capita income of more than US$2,700.

Famous economist Pham Chi Lan more than once said the high power prices would affect people's livelihoods, particularly the poor and it will also increase the cost of doing business.

5. Companies in supporting industry to be provided with interest rate subsidy next year

Tuan Anh said that the ministry was cooperating with relevant ministries and agencies to complete the policy for companies in the supporting industry in 2021.

Due to the impacts of the COVID-19 pandemic, most companies in the supporting industry encountered difficulties.

"The difficult time, however, is a significant opportunity for enterprises to find a new direction and to improve their competitiveness," Tuan Anh said.

The Vietnamese Government recently issued Resolution No 115 on solutions to promote the development of the supporting industry. One of the solutions was providing interest rate subsidies for enterprises in this sector.

The subsidy was supported by the Government through refinancing to commercial banks, which would be sourced from medium-term public investment. The support would be equal to the difference between the commercial loan interest rate and the State's preferential investment credit loan interest rate but not exceeding 5 per cent.

"This is a bold policy which will provide significant support to enterprises," Tuan Anh said.

The Ministry of Industry and Trade was cooperating with the State Bank of Viet Nam and the Ministry of Finance to detail the interest rate subsidy policy. The draft was expected to be submitted to the Government for consideration and issuance in January next year.

Tuan Anh also urged companies in the supporting industry to be proactive in enhancing their production and management capacity to meet requirements of global manufacturers, which would be important, together with the Government's support policies, to enable Vietnamese firms to participate deeply in the global value chains.

On October 30, the Ministry of Industry and Trade issued an action plan to implement the Government's Resolution No 115/NQ-CP dated in August about solutions to promote the supporting industry.

6. Banks may face difficulty in raising foreign capital with regulator's proposal

Capital and expertise of foreign investors can help speed up the banks' restructuring process but their plans may face challenges.

Currently, many Vietnamese banks have sold equity to foreign investors but many still have foreign room (foreign ownership rate).

Asia Commercial Bank (ACB) has run out of foreign room of about 30%. Vietnam International Bank (VIB) has capped its foreign ownership at only 20.5% after its foreign strategic shareholder Commonwealth Bank holds a 20% stake.

Techcombank sold its foreign room to Warburg Pincus while Military Bank (MB) raised its foreign ownership rate from 20.9% to nearly 23% in March 2020.

This year, Orient Commercial Bank (OCB) sold 15 per cent of its equity to Japanese partner Aozora Bank. Meanwhile, HDBank decided to reduce its foreign holding from 30% to 21.5% to facilitate its plan of selecting a strategic partner. Previously, in early May 2020, VPBank's shareholders approved a plan to reduce its foreign holding to 15% from 22.77%.

According to State Bank of Vietnam's statistics, the capital adequacy ratio (CAR) of commercial banks is currently around 9-10%. There are still half of banks failing to meet Basel II standards. The pressure of the Covid-19 on banks is getting stronger, especially increasing capital to ensure safety operation amid fears of rising bad debts.

In that context, many banks are planning to "clear the way" for foreign investment. However, the State Securities Commission (SSC)'s new proposal to abolish a regulation permitting public companies to decide the maximum foreign ownership rate in their company charters may impede their plans.

The SSC's proposal is included in a draft decree guiding the 2019 Securities Law which will come into force next year. Many worry if this proposal is endorsed, some specific industries such as banking will find it difficult to seek strategic shareholders.

According to the Saigon Securities Inc's report, only five listed banks succeeded in raising charter capital in 2019. In particular, Vietcombank, VietinBank and BIDV sold shares to foreign investors at good prices, even higher than the market price.

If without self-determination on foreign room, negotiation with foreign partners will be very difficult, especially for small and medium banks that are in need of foreign investors' support in technology, management and development strategy.

The deprivation of the right of enterprises to determine foreign ownership cap can facilitate short-term trading of small foreign investors, increasing market liquidity, according to a bank's leader. However, if this room is secured for strategic partners, both banks and shareholders can benefit as long-term investment of big international financial institutions will help banks improve governance, technology, products and customer services.

However, according to the SSC, empowering companies to decide the foreign room can lead to frequent changes in this ratio, affecting the transparency of the market.

Looking on positive side, General Director of SJC Securities Co Huynh Anh Tuan said unlocking the foreign room will help diversify investors and increase liquidity for the market. As for the banking sector, Mr. Tuan said some countries have certain protection policy and foreign investment in this field is carefully selected.

In some industries, foreign investors, through their subsidiaries in different countries, hold a higher-than-permitted dominant ownership rate in domestic enterprise, spoiling the whole industry. If this happens in a sensitive industry like banking, it will affect financial stability of the whole economy.

7. Interest rate for home loans forecast to stay low in 2021

Since the outbreak of the COVID-19 pandemic in January, the State Bank of Viet Nam (SBV) has slashed rates three times, in March, May and October to aid economic recovery, which helped ease the pressure of provision cost for banks and interest expenses for customers and enabled lenders to introduce stimulus packages for home purchases.

According to Tran Khanh Hien, deputy head of Investment Analysis at VNDirect, the rate for home loans was reduced by about 1.8 percentage points to 9.5 per cent, the lowest rate in the past decade.

“In the context of cooling inflation pressure, we expect the SBV to maintain an adaptive monetary policy in 2021. Although we do not expect further rate cuts, we believe the SBV will not raise rates in 2021 to aid the economy through maintaining loose monetary policies,” Hien said.

“Thus, the interest rate for home loans will be maintained at low levels in 2021 to stimulate demand for the housing market.”

VNDirect also predicted a robust recovery of the housing market next year fuelled by the country's macro-economic recovery.

The global production shift expected to drive investment flow into Viet Nam will benefit the real estate market, especially industrial property. The Government's efforts to hasten public investment disbursement with a focus on infrastructure development have also aided the real estate market.

The report also forecast that new supply would skyrocket due to the expectation that the amendments to Law on Construction and the Law on Investment 2020 which take effect from the beginning of next year will tackle legal bottlenecks.

With a number of projects set to resume construction in 2021, VNDirect forecast new supply in HCM City would increase by 10-15 per cent to reach 17,000 apartments.

In Ha Noi, the supply was predicted to increase by 50-60 per cent in 2021 to reach 23,000 apartments, mainly from mega-projects like Vinhomes Smart City, Vinhomes Ocean park, Sunshine Empire and Gamda City.

Regarding housing prices, VNDirect said that the trend was to rise, driven by improved demand and low-interest home loans.

Still, there would be no market bubble in the short term, VNDirect stressed. The market was now different from 2009-10 when inventories were high and prices were inflated, leading to the market collapse in 2013.

Now, the market has limited supply and high demand while the cash flow continues to be pumped in the market.

Viet Nam's real estate market had a cycle of seven years and the market could enter a strong growth period in 2021 if legal bottlenecks were tackled properly, VNDirect said.

The M&A activities are predicted to be robust next year as a number of small developers have fallen into difficulties due to the legal bottlenecks and impacts of the COVID-19 pandemic, creating opportunities for those with financial capacity.

Corporate News

8. GEX: Record date for EGM 2020

↑ 0.72%

On December 03, 2020, the Hochiminh Stock Exchange issued Announcement No.1988/TB-SGDHCM about the record date of Viet Nam Electrical Equipment Joint Stock Corporation as follows:

- Ex-right date: December 11, 2020
- Record date: December 14, 2020

1) Reason & purpose: to hold the 2020 Extraordinary General Meeting of Shareholders.

2) Content:

- Exercise ratio: 01 share – 01 voting right
- Meeting time: Tuesday, December 29, 2020
- Meeting venue: Melia Hotel, 44 Ly Thuong Kiet, Tran Hung Dao, Hoan Kiem District, Hanoi.

9. DIG: Him Lam Land acquires 21.5 per cent of DIC Corp

↓ -1.32%

The shares were transferred in put-through transactions on Wednesday. Him Lam Land previously had no shares in DIC Corp.

DIC Corp also saw another 66 million shares sold via put-through transactions on the same day.

The identity of the buyers remains unknown.

DIC Corp shares, listed on the Hồ Chí Minh Stock Exchange (HoSE) with code DIG, soared 6.9 per cent on Wednesday.

The company's shares jumped 3.1 per cent to VNĐ26,500 (US$1.15) apiece on Friday, having gained nearly 26.2 per cent in six consecutive days since November 27 and nearly 74 per cent since September 30.

The share purchase was done after the two sides failed to reach a partnership agreement to implement a real estate project worth VNĐ10 trillion ($433.6 million) in Bà Rịa-Vũng Tàu Province.

DIC Corp shareholders at an extraordinary meeting in September rejected a business plan that would have allowed the two companies to co-operate.

The partnership was expected to bring DIC Corp a large amount of cash to implement the Bắc Vũng Tàu Urban Area project.

Under the plan, DIC Corp and Him Lam Land would have created a joint venture with VNĐ700 billion of charter capital, with DIC Corp owning 65 per cent of the joint venture.

Some major shareholders have recently put DIC Corp shares up for sale. VietCapital Securities wants to sell 30 million shares between November 26 and December 25.

Taekwang Vina in October offloaded more than 28 million shares at DIC Corp and was no longer a major shareholder.

DIC Corp has recently decided to sell 8.26 million treasury shares to raise funding for its business activities in December.

In January-September, DIC Corp posted a 44.9 per cent year-on-year increase in total net revenue to VNĐ1.87 trillion.

Pre-tax and post-tax profits in the nine-month period jumped 40.5 per cent year-on-year each to VNĐ172 billion and VNĐ131.2 billion, respectively.

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