



VIETNAM DAILY NEWS

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Table of content

Table of content

1. Blue chips mixed, VN-Index falls from five-day rally
2. Logistics industry to flourish from added exposure to world via RCEP
3. State Bank proposes expanding VAMC's operation
4. Vietnam's banking sector in 2020: profitability and vulnerability are higher
5. Hanoi metro test run to start at weekend
6. VN exporters hit by container shortage
7. Opportunities for Vietnamese rice to strengthen position in global market
8. FCN: The record date for the 2019 dividend payment
9. VGC: First phase of Phu My Ultra White Floating Glass Factory inaugurated

Market Analysis

1. Blue chips mixed, VN-Index falls from five-day rally

Viet Nam's benchmark VN-Index fell slightly on Tuesday as the large-cap sector was mixed due to investors' strong profit-taking.

The VN-Index on the Ho Chi Minh Stock Exchange inched down 0.07 per cent to 1,029.26 points.

The benchmark had gained a total of 2.68 per cent for five straight trading days since December 1.

The market declined despite the positive market breadth and good performance of stocks in all three sectors by market capitalisation.

A total of 240 stocks on the southern bourse increased while 203 stocks declined.

More than 527.6 million shares were traded on the southern market, worth VND10.5 trillion (US\$454 million).

The mid-cap and small-cap trackers rose 0.41 per cent and 0.78 per cent, respectively.

The large-cap tracker VN30-Index inched up 0.16 per cent to 993.61 points, with 11 gainers and 17 decliners.

The market was weighed down by the decline of the blue chips like dairy producer Vinamilk (VNM), brewer Sabeco (SAB), Bank for Investment and Development of Viet Nam (BID), Vietinbank (CTG), consumer company Masan (MSN), and Vingroup JSC (VIC), which all dropped between 0.5 per cent and 0.8 per cent.

On the opposite side, SSI Securities (SSI), Military Bank (MBB) and insurer Bao Viet Holdings (BVH) softened the downturn.

SSI soared 6.6 per cent, and MBB and BVH advanced 2.2 per cent and 2.9 per cent, respectively, boosting the brokerage and insurance sectors by 5.3 per cent and 1.8 per cent.

"Local stocks began suffering from selling pressure after the rallies," Thanh Cong Securities JSC (TCSC) said in its daily report.

"However, the trading liquidity was still high and that proves investors are not backing down at the moment," the company said.

"Cash began flowing from large-cap stocks to mid-cap and small-cap stocks, especially securities shares on expectations those sectors would deliver good quarterly earnings reports," TCSC added.

"The VN-Index has approached the strong resistance zone of 1,025-1,035 points and it could hinder the market's short-term development."

On the Ha Noi Stock Exchange, the HNX-Index gained 1.56 per cent to 156.61 points.

The northern market index has totalled a six-day rally of 6.03 per cent since December 1.

More than 84 million shares were traded on the northern market, worth VND1.15 trillion.

Macro & Policies

2. Logistics industry to flourish from added exposure to world via RCEP

Holger Schaurig, executive vice president of Supply Chain at TM Insight Asia, said that after eight years in the making, the signing of the Regional Comprehensive Economic Partnership (RCEP) is a major success for the region. When ratified, it will integrate the whole of Asia-Pacific as well as global production networks and value chains, providing significant benefits and opportunities to ASEAN and Vietnam. According to forecasts from the World Bank, countries of the RCEP are set to see an additional average 1.5 per cent growth in GDP.

“Vietnamese players in the logistics sector are expected to be the biggest winners. With manufacturers shifting their operations to Vietnam, the country is experiencing the highest market growth rates across Southeast Asia in the past five years, and the RCEP will enable increased exports to other parts of the world, including China. This, in turn, will develop new supply chains in the region, providing growth opportunities for Vietnam's logistics sector and beyond,” Schaurig said.

Indeed, Vietnam is a fast-growing market in the region, and despite the pandemic, it is forecast that the country's economy will rebound at a growth rate of 6.8 per cent in 2021 and continue on this upwards trajectory.

“This growth, coupled with Vietnam's integration in the global economy and its strategic location in Southeast Asia, positions the country well to enable and improve connectivity in the region. The RCEP will make it easier for Vietnamese businesses to expand into new markets and play a greater part in regional supply chains – all contributing to increased connectivity,” Schaurig emphasised.

However, to do so and tap into the opportunities of the RCEP, Vietnamese companies will need to advance their digital transformation to further capitalise on the benefits of the RCEP through increased competitiveness and enhanced human capital.

Russell Reed, managing director of UPS Thailand and Vietnam, said that the RCEP encompasses almost a third of global GDP, around 2.3 billion people, and countless businesses. Even in so-called

‘ordinary times’, an agreement of this size is hugely significant, but with entry into force expected in late 2021, the RCEP takes on a new significance as a regional, even global, growth stimulator for a world looking towards post-pandemic recovery.

The reduction of tariffs, unified rules of origin, and increased foreign direct investment potential afforded by the RCEP, in addition to Vietnam's strategic location at the heart of Asia-Pacific trade, will be a boost to the Vietnamese economy and mean that many local businesses are likely to see their cross-border trading opportunities expand.

“UPS applauds the Vietnamese government's ambition and dedication in getting this and other free trade agreements (FTAs) – such as the recent EU-Vietnam FTA – finalised, and we look forward to supporting Vietnamese businesses of all sizes achieve their goals for international growth,” Reed said.

UPS' recent investments in Vietnam demonstrate the nation's vital role in the future of both regional and global trade. In September, UPS introduced new Browntail flights to Hanoi and Ho Chi Minh City, which speed up transit times and provide more dedicated capacity to the country, which will boost the international competitiveness of local businesses.

“UPS will continue to work with our customers to provide the logistics services and solutions they need, while the country's dynamic workforce, market liberalisation, and strategic location in ASEAN will reinforce its position as a key part of the global trade and manufacturing supply chain,” Reed stressed.

Experts believed that while the pandemic is driving the world to retreat from integration and accelerate deglobalisation, there are growing calls for regionalisation, and it certainly is gaining traction. Asia alone is already at the centre of two mega-regional FTAs – the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the RCEP – with the aim of progressively reducing tariffs on many products within the respective regional trade bloc, as the region looks at mitigating the

negative impacts of COVID-19 and maintaining open supply chains.

Meanwhile, Vietnam is at an inflection point, with a rapidly increasing GDP, young population, and the willingness to adopt new technologies. The logistics market is in a transition stage and demand for logistics is rising strongly.

High economic growth, increasing domestic manufacturing, the rise in consumption, and booming e-commerce are some of the key drivers of the Vietnamese freight and logistics market. Thus, the domestic logistics market is expected to become more liberalised and create new opportunities to cash in on the rising demand, according to a research by Market Report World.

3. State Bank proposes expanding VAMC's operation

VAMC should be developed into a centre of bad debts handling and restructuring of the credit institution system, SBV says in a Decision on the Development Strategy of VAMC until 2030 it recently approved.

VAMC is tasked with promoting the development of the debt trading market, ensuring the safe and sustainable development of credit institutions, the Decision says.

In the 2018 - 2020 period, VAMC's goal is to buy at least VND330 trillion (US\$14.3 billion) of total accumulated bad debts. Of the estimate, VAMC is expected to buy a minimum of VND12 trillion-VND13 trillion of bad debt under market value.

The Decision says VAMC played the central role in the bad debt trading market, developing a project on a Debt Exchange to submit to competent authorities for approval.

After the exchange is approved, VAMC will set up and operate the exchange. It will also establish an Asset Management Club whose members includes VAMC and debt and asset management companies under credit institutions.

In the 2021-2025 period, VAMC must complete the establishment and put into operation the Debt Exchange. At the same time, it will build up a debt and asset data centre which will be connected with the National Credit Information Center (CIC) and

credit institutions to create more data sources to exploit.

In the 2026 - 2030 period, the State Bank proposes expanding VAMC's operations, saying the agency should purchase and sell bad debts and assets of all sectors in the economy, promoting investment and asset exploitation activities, asset trading and asset valuation consultation.

VAMC will also provide financial consultation services for building strategic development for investors and business mergers and acquisitions.

The State Bank will send petitions to competent authorities to supplement capital to VAMC so that its capital reaches VND10 trillion in the 2020-2021 period.

The State Bank will instruct VAMC to promote debt retrieval, strengthening facilities, investing in IT systems and offices, improving the quality of human resources and enhancing financial capacity.

The State Bank also proposes VAMC mobilise capital from domestic and international organisations and individuals in accordance with the law.

The bank also requires VAMC to co-operate with domestic and foreign investors to participate in corporate restructuring, M&A in accordance with the law.

4. Vietnam's banking sector in 2020: profitability and vulnerability are higher

Preliminary business results of commercial banks in the first nine months delivered a positive picture of

the banking sector in 2020. Despite challenges banks have faced during the Covid-19 pandemic,

banks are nearly approaching their full-year targets but the risk provision pressure remains great.

Accumulated profits of LienVietPost Bank by end-September surpassed its yearly target with VND1.74 trillion (US\$75.2 million). Vietnam Maritime Commercial Joint Stock Bank (MBS) also reported nine-month pre-tax profit of nearly VND1.67 trillion (US\$72.2 million), exceeding its target set for the whole year.

At TPBank, the total operating income of the three quarters reached VND7.1 trillion (US\$306.9 million), up 22.8% year-on-year. Its pre-tax profit increased 25.8% to more than VND3 trillion (US\$129.7 million), equivalent to 74.3% of its yearly plan.

How banks earn high profits?

One reason that kept banks from Covid-19's impacts is retail.

With personal loans making up 85% of total outstanding loans, income from credit activities of VIB still grew 24% in the third quarter. Service earnings also increased sharply, driving pre-tax profit up nearly 30% year-on-year.

In addition, all banks are endeavoring to spur revenue from services, especially from cross-selling insurance. Meanwhile, some banks have also increased investment in corporate bonds to seek better profitability, notably TPBank.

Banks are also trying to drastically reduce operating costs (through cutting employees' pay) to retain profits. BIDV, SHB, HDBank have reduced salary and bonuses for employees by 10-30%, the rate is even bigger for leaders.

It's also noteworthy that banks have also lowered their profit targets this year to make them attainable.

Eximbank's Deputy CEO said profit before tax from its core business activities by the end of September reached VND1.2 trillion (US\$51.9 million), completing 84% of the year-end target. However, Eximbank had adjusted down its profit target by 40% from mid-May 2020.

Challenges ahead

However, risk provision pressure remains a significant burden for banks, especially when bad debts, which were "concealed" by Circular 01/2020/TT-NHNN, are tending to increase.

Under this circular, banks can decide the repayment period and maintain the debt classification for customers affected by Covid-19. The measures of extending payment time, reducing or waiving interest rates will also affect banks' future profits. In this context, some banks have yet to actively increase their loan loss provisions. This is the reason explaining why their profits are still growing.

SeaBank's provision for credit risks decreased 29% in the first nine months, sending profit before tax up 68% to VND462.2 billion (US\$51.9 million). Meanwhile Vietcombank's nine month profit declined 9.35% year-on-year to almost VND16 trillion (US\$693.9 million) due to high risk provision expense.

Statistics showed that in the third quarter of 2020, bad debts of banks continued to increase strongly, including sub-standard debts, doubtful debts and loss debts.

All groups of bad debts of Sacombank increased compared to the start of the year. The total bad debt at the end of the third quarter was more than VND6.8 trillion (US\$295.2 million), up 19%, bringing the bad debt ratio up from 1.9% at the beginning of the year to 2.14% at the end of third quarter.

In the second quarter, the bad debt ratio of 17 listed banks tended to increase to 1.71% from 1.44% at the end of the fourth quarter of 2019. BIDV Research Institute estimates that bad debts on their internal balance sheets by year-end may be 3% and 4% by the end of 2021.

FiinGroup's report found a lag of four quarters in the provision expense. It emphasized that banks, who enjoyed high profitability due to changes in the accounting policy according to Circular 01, will experience clearer impact of Covid-19 on their credit quality and profitability when policy changes.

5. Hanoi metro test run to start at weekend

The Cat Linh-Ha Dong Metro Section's 13 trains will run from 5 a.m. to 11 p.m. every day, nine during rush hour and six during other times hours, Vu Hong Phuong, director of the Hanoi Metropolitan Railway Management Board, said.

They will ply the 13 kilometers between Yen Nghia station in the southwestern district of Ha Dong and Cat Linh in the downtown district of Dong Da at an average speed of 35 kilometers per hour.

A train with four cars and a capacity of 900 passengers will take 30 minutes to complete the trip.

A train will arrive at a station every six to seven minutes, increasing to one every two to three minutes during rush hour.

The test run will help French consultancy Apave-Certifier-Tricc evaluate the safety and precision of the system.

The contractor has begun its own eight-day test run to organize emergency drills.

When construction of the metro completed at the end of 2018, a test run had proven inconclusive and involved few personnel.

This time around 800 employees, including 200 working for the Chinese general contractor, will take part.

Vu Hong Truong, CEO of the Hanoi Metro Co. Ltd., said Vietnamese conductors are now capable of controlling the train independently without assistance from trainers.

All the Vietnamese workers have been participating in drills for more than a month now, and are ready for the test run.

Depending on the outcome, the French consultancy will issue the safety certificate for the project in the next quarter. The Ministry of Transport will then hand over the metro to Hanoi authorities to operate.

6. VN exporters hit by container shortage

Besides, international shippers were hiking their fees, and Vietnamese businesses would struggle to cope if the problem is not addressed, he added.

Nguyen Dinh Tung, chairman and general director of fruit exporter Vina T&T Group, said there was a lack of containers for shipping dry goods while the cost of shipping goods to the US had increased by nearly three times from last year.

Dang Phuc Nguyen, general secretary of the Viet Nam Fruit and Vegetable Association, explained lack of containers by saying exports were booming at the end of the year and Viet Nam had been seeing big export surpluses through the year.

Ship crews had to be in quarantined after reaching foreign ports due to the pandemic, which exacerbates the container shortage, he said.

Le Kim Cuong, deputy director of Sai Gon New Port Logistics, said the recent storms that hit the country were making it difficult to transport empty containers from foreign countries back to Viet Nam.

HCM City, Dong Nai and Binh Duong's ability to receive empty containers from deep-water ports and transfer them to inland container ports was limited, he added.

Phan Van Co, marketing director at VRICE Limited Co., said businesses were incurring more expenses since their goods have to be stored longer at ports as they wait for containers.

The Viet Nam Logistics Association said depots should be tasked with repairing empty containers to reduce the waiting time for them, and ships should work closer with depots and accurately notify their empty containers situation.

Consignors needed to make use of containers efficiently and quickly so that they could be used by others, it said.

Rewards and penalties for quick and tardy returns of empty containers should also be considered, it added.

7. Opportunities for Vietnamese rice to strengthen position in global market

Mr. Thieu Van Hai, Director of Hai Thanh Agricultural Cooperative in Hau Giang Province, and farmers have continued to choose fragrant rice varieties for production. This is also an important highlight of Mekong Delta farmers, opening up opportunities to polish the brand of Western rice.

It is not a coincidence that Mr. Thieu Van Hai was hired by farmers in Chau Thanh A District in Hau Giang Province to be the director of Hai Thanh Cooperative. Mr. Hai has been the pioneer in growing fragrant rice for the past 15 years. With 1.5 hectares of land, the income from fragrant rice is 20-30 percent higher than regular rice varieties, helping him to accumulate to expand the growing area of fragrant rice to 6.6 hectares. Mr. Hai has become a good example for farmers in the cooperative to produce fragrant rice unanimously.

According to the Ministry of Agriculture and Rural Development, in the 2020-2021 winter-spring rice crop, the Mekong Delta region sows over 1.55 million hectares of rice with an estimated output of 10 million tons of rice. It is most likely that in the dry season of next year, saltwater intrusion and drought will come soon and happen severely. Provinces such as Kien Giang, Hau Giang, and Tien Giang, which are heavily affected by saltwater intrusion and drought, must grow rice early to avoid saline intrusion at the end of the crop. More than five years ago, the rate of low-grade rice varieties in the Mekong Delta was quite large in the production structure, when farmers still used the IR50404 rice variety, which accounted for 30-40 percent. During that time, the prices of Vietnamese export rice were always far behind those of Thailand in the market. But now that has changed.

'High-quality rice varieties currently account for about 80 percent of the growing area, whereas low-grade varieties like IR50404 rice variety only hold less than 8 percent. Noticeably, the proportion of ST rice varieties has risen from 3 percent to 5 percent,' Mr. Tran Chi Hung, Director of Department of Agriculture and Rural Development of Hau Giang Province, said.

Following Tra Vinh and Dong Thap provinces, farmers in Hau Giang Province are now replicating the smart rice production model. Mr. Tran Van Dang, a member of Hai Huynh Cooperative in Vi Thuy District, is one of the Hau Giang farmers enthusiastically participating in smart rice production. After three crops under this model, Mr. Tran Van Dang said that the smart rice growing model helped him to have more knowledge and understanding of rice-growing techniques to meet the new trend in response to climate change. Profits were higher than conventional rice cultivation from 20-30 percent. His family earned over VND75 million from two hectares of rice last winter-spring rice crop.

Agricultural engineer Ho Quang Cua, the father of the ST fragrant rice varieties, optimistically commented that high-quality rice varieties currently account for 1 million hectares in the Mekong Delta, and the low-grade IR50404 rice variety has gradually shrunk. The ST24 and ST25 rice varieties, which recently won an international award, have covered one-third of the rice-growing area in the Ca Mau peninsula. Nearly one-third of farmers in the Mekong Delta are classified as the best rice farmers in Asia. That is the basis for Vietnamese rice to enhance its position.

The export prices of Vietnamese rice in December this year fluctuates around US\$460-US\$520 per ton. This is the first time in the past five years, the level of export prices of Vietnamese rice exceeds \$450 per ton. It is expected that Vietnam's rice exports will reach 6 million tons this year.

Vietnam's rice exports are at a high level this year, due to many factors, such as the needs of the world market. However, it is important that the quality of rice has been improved and maintained stably, so it can compete with Thai rice, said Mr. Nguyen Trung Kien, General Director of Gentraco Company in Can Tho City.

Looking back on rice exports in 2020, enterprises in the Mekong Delta scored when the EU-Vietnam Free

Trade Agreement (EVFTA) officially took effect in August. This is a door opening up many opportunities for Vietnamese enterprises to export to the EU market.

Accordingly, Vietnam's rice products will be exempt from export tariffs to the EU when the EVFTA takes effect. Of which, 80,000 tons of rice will enjoy tax incentives. Some enterprises, such as Loc Troi Group and Trung An High-Tech Agriculture Joint Stock Company, have quickly exported fragrant rice to the EU market. After ST24 rice, ST25 rice received the world's best rice award, creating a certain position for Vietnamese rice in the market. In the domestic market, the price of ST25 rice has reached a fairly high selling price of VND35,000 per kilogram or over \$1,000 per ton. Therefore, it is not difficult to understand when the export price of ST rice variety to the EU market is above \$1,000 per ton.

With diverse ecological characteristics, the Mekong Delta provides rice products, which satisfy many different segments, including specialty rice, high-quality rice, and rice for the niche market. This is a remarkable advance of Vietnamese rice. As the rice export quotas have been untied over the past years, it has helped more than 100 enterprises to participate in the export market, with many different export segments, creating a driving force for the establishment of raw material growing areas for high-quality and specialty rice.

According to rice experts, if the quality of exported rice is controlled well, shortly, not only will Vietnam's export quotas on the EU market increase, but it will also urge many partners to seek to buy Vietnamese rice. The opportunity to polish the brand is opening up for Western rice.

Corporate News

8. FCN: The record date for the 2019 dividend payment

↓ -0.80%

On December 03, 2020, the Hochiminh Stock Exchange issued Announcement No.1994/TB-SGDHCM on the record date of FECON Corporation (stock code: FCN) as follows:

- Ex-right date: December 10, 2020
- Record date: December 11, 2020
- 1. Purpose: To pay stock dividend for 2019;
- 2. Detailed contents:
To pay stock dividend for 2019
- Exercise ratio: 100:5

The one who owns 100 shares at the record date will receive 05 new shares

- Estimated issue volume: 5,901,466 shares
- How to deal with fractional shares: The number of newly issued shares distributed to each existing shareholder will be rounded down. The fractional share will be cancelled.
- Place of implementation:
 - + Shareholders whose shares have been deposited: at the securities firms where shares have been deposited.
 - + Shareholders whose shares have not been deposited: at FECON Corporation.

9. VGC: First phase of Phu My Ultra White Floating Glass Factory inaugurated

↓ -3.77%

The project was carried out by Viglacera Corporation, Khai Thinh Science and Technology Group Company and Vietnam Urban and Industrial Zone Development Investment Corporation (IDICO), beginning in July 2017.

The Phu My Ultra White Floating Glass Factory Project was located at Phu My 2 Expansion Industrial Park with an area of nearly 15 hectares

of land and its capacity of 1,500 tons of liquid glass per day.

It is expected that the first phase of Phu My Ultra White Floating Glass Factory Project would be put into operation with its capacity of 600 tons of liquid glass a day.

After coming into the operation, the project will contribute to giving jobs to over 300 employees.

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