



VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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Market Analysis

1. Shares soars, analysts predict historic level of 1,204 points for VN-Index soon

Shares advanced at the start of the week with record trading value, propped up by solid investor confidence in a long-term uptrend.

On the Ho Chi Minh Stock Exchange, the VN-Index increased 1.47 per cent to close Monday at 1,184.89 points. The southern market index gained nearly 6 per cent last week.

Overall market breadth was positive with 313 stocks climbing, of which 34 hit the intra-day limit growth of 7 per cent, while only 134 fell. Another 55 closed flat.

Large caps continued to be the market's driving force when 19 of the top 30 largest shares by market value and liquidity gained value and 10 dropped. Many stocks soared with Vinhomes (VHM), Hoang Huy Investment Financial Services (TCH) and FLC Faros Construction (ROS) hitting the daily ceiling prices.

Other heavyweight stocks such as Vincom Retail (VRE), Vinamilk (VNM), Vietjet (VJC), Sacombank (STB), sugarmaker Thanh Thanh Cong-Bien Hoa SJC (SBT), PV Power (POW), Mobile World Investment (MWG) and Khang Dien Housing Trading and Investment (KDH) all climbed between 3-6.7 per cent each.

On the Ha Noi Stock Exchange, the HNX-Index increased 0.79 per cent to end Monday at 219.12 points. The northern bourse's index also increased 5.4 per cent last week.

Liquidity boomed on Monday with more than 1.05 billion shares worth nearly VND22 trillion

(US\$948.3 million) traded in the two markets, of which the trading value through match-making orders hit a record of VND19.3 trillion.

Many brokerage houses forecast the VN-Index will soon surpass its historic peak of 1,204 points in the next few sessions due to strong cash flow from domestic investors.

According to MB Securities Company, the market is showing a clear trend of conquering 1,204 points – the historic peak established in early April 2018. The issue is when the VN-Index will reach this milestone.

Le Quang Minh, head of analysis at Mirae Asset Securities (Vietnam), predicted this would likely happen in the next 2-3 sessions. According to Minh, the domestic cash flow was still the main driver for the Index to go up. Large-cap stocks, especially real estate groups such as Vingroup, Vinhomes and Novaland led the market.

A report by Yuanta Securities Vietnam Company also endorsed the short-term uptrend of 1,200 points but has warned a divergence phenomenon based on Q4 and 2020 business results of listed firms.

“Thus, the short-term strategy is risk management and profit realisation with investments that have met expectations,” they said.

In contrast to domestic investors, foreign traders were net sellers on the two exchanges, unloading shares worth a net selling value of VND300 billion.

Macro & Policies

2. Government to have new policy on purchase of solar power soon

Meanwhile, the Electricity and Renewable Energy Authority under the Ministry of Industry and Trade (MoIT) issued a written document saying that the unit has been cooperating with consulting companies to study the model, the scale, and the purchasing price of electricity for each type of solar power. It is expected that in the first quarter of this year, the unit will report to the MoIT for consideration and submit to the Prime Minister policies for the next period.

The representative of EVN revealed that at present, the cost of solar power panels has cooled down, so shortly, the MoIT would suggest the purchasing price of solar power without using feed-in tariffs (FITs). Previously, the FIT of solar power was 9.35 cents per kilowatt-hour (kWh), then adjusted to 8.38 cents per kWh until the end of December 31, last year. Besides, recently, solar power has been

developing rapidly, ten times higher than planned, so solar power capacity will possibly be limited at the maximum allowable rate.

Despite depending on the scale, investment in solar power is costly. Although the termination for the receipt and purchase of solar power had been notified by the State management agency in Decision No.13/2020, the review is necessary and should be carried out promptly to put investors at ease.

The policy being disrupted for a long time only creates opportunities for opportunistic investors. Moreover, the Politburo, as well as the Government, has had the policy to encourage the development of renewable and clean energy. When the policy comes into reality, it must be carried out thoroughly and continuously to attract actual investors.

3. No decision about tariffs on Vietnamese goods yet: USTR

The statement was released after a phone conversation between Minister of Industry and Trade Tran Tuan Anh and US Trade Representative Robert Lighthizer yesterday.

The dialogue was among the latest developments since the US trade office launched a currency probe in October under Section 301 of the 1974 Trade Act, which allows the USTR to unilaterally impose retaliatory tariffs in response to what it determines is an unfair foreign trade practice.

Lighthizer said his office acknowledged real policy dialogue and exchanges that have taken place through the US-Vietnam Trade and Investment Framework Agreement. He also said the two sides had been able to make great progress and reach numerous solutions to resolve trade and economic issues within a short time.

Anh urged his counterpart to conduct thorough and fair investigations and to carefully consider potential impacts to ensure a harmonious and

mutually beneficial trade relationship between the two countries. He said the Vietnamese Government was willing to co-operate fully with US trade agencies.

The minister reiterated the Government's stance on currency policy, which aims to rein in inflation and stabilise the macroeconomy and not create unfair trade advantages.

Earlier in December last year, American companies urged the USTR to drop an investigation into Viet Nam's currency practices that could lead to tariffs on a wide range of Vietnamese goods, and turn the matter over to the Treasury Department to pursue, Politico reported.

They also warned that tariffs on Viet Nam could hit consumer goods, such as clothing and electronics while encouraging the country to retaliate on American exports ranging from pork to aerospace, power and health equipment.

4. Forum discusses warehouse industry trend in Viet Nam

The event, entitled “CEO Forum: Viet Nam warehouse industry trend”, aims to enhance the competitiveness of logistics enterprises in Viet Nam against new market trends.

Logistics experts said that in 2021, the circulation of commodities from export and import merchandise to consumer goods and the development of e-commerce exchanges will continue to be industry trends. In addition to transportation, warehouses are crucial infrastructure in the service supply chain, as the key trend is the growing expansion of logistics centres.

Viet Nam's logistics sector is at a basic development stage, however in the next few years, there will be a rapid development of modern and high-quality logistics centres.

According to Jones Lang LaSalle (JLL), Viet Nam's logistics industry is seeing positive prospects as many investors are still interested in the field, regardless of the short-term impact of COVID-19. In the last 24 months alone, nearly US\$3 billion was invested in the warehouse system and modern logistics centres. In particular, durable and high-quality materials for optimal fire protection and temperature inside warehouses are key elements.

“Previously, warehouses were of a small scale, only to serve business purposes. The current trend is that enterprises or leaders in the industry invest in large scale warehouses integrating multiple functions to form logistics centres. The second trend is to improve administration through information technology and automation. The third trend is to apply green logistics or renewable energy in management and operation of logistics centres and warehouses,” said by Le Duy Hiep, Chairman of Vietnam Logistics Business Association.

“Investors and businesses used to not pay attention to the lifespan of logistics centres, however, when customers' requirements are increasingly stricter, the basic infrastructure will not meet their needs. Therefore, investors will consider project lifespan and cost effectiveness of the logistics centre to serve the supply chain, in which construction materials will be the focus to ensure the safety of goods,” said Trang Bui, Head of Markets, JLL Vietnam.

At the forum, enterprises also spoke about the current status quo and future trends of the logistics warehouse industry in Viet Nam and experience of logistics in other ASEAN countries, including goods distribution centre model of FM Logistics and safety systems for logistics warehouses of NS BlueScope Vietnam.

5. For the sake of sustainable fish export

After a long time of decline, the price of tra fish began to bounce back in October, jumping by 30% from the lowest point. However, similar to what happened in 2019, after a short while of recovery, the price went down again, leaving nagging worries about market consumption.

From another point of view, although the price plunged deeply by a half last year, the basic infrastructure for tra fish raising remains stable in Vietnam. Moreover, in the context of a declining market, some companies in the field still committed investment. The new race in the tra fish industry now is one of raising and processing technology to have fish of better quality and more diverse processed products.

In lieu of calling for help and waiting for assistance, businesses in the industry opted for a different approach. They changed their business strategies and optimized technology to better meet market demand so that as soon as markets recover, they would be the first to reap the benefit.

The precariousness of tra fish price has been an old, boring story for decades, happening time and again with cycles often lasting for one year. The latest cycle, however, lasted for almost two years. The bigger the price margin is and the longer the rising time is, the worse the consequence will be. The latest price decline was also the longest over the past decade, which has lasted for 18 months.

This year is forecast to be a recovery time. However, when it actually begins and how long will it last depends largely on international market demand and responses of local fish producers. The markets of China, the European Union, the United States and some Southeast Asian countries will bounce back after a long time of slump because of Covid-19. Therefore, the key factor in the coming time will be in the hands of domestic fish producers. However, they are only initial conjectures. Among these, China is the biggest unknown. This nation may restrict fish imports although her domestic demand may be on the rise.

Domestic fish producers may have learnt the lesson in 2017 when they kept a cool head to see stable prices gradually go up. However, as many rushed to dig ponds and raise fish in 2018, prices tumbled again. Actually, prices might have not been so low last year had it not been for Covid-19. Beyond all predictions, the pandemic landed a major blow on the local tra fish industry. Yet the industry was luckier than many other sectors because whether an epidemic breaks out or not, people need to eat and tra fish is a good food to consume. And so, the tra fish industry has survived. Anyway, that still shows that unexpected events spare no industry. Therefore, putting tra fish production in control remains a wise thing to do in the time to come.

Normally, rising prices will offer two scenarios, either prices continue to climb as fish producers want to delay their selling in the hope of even higher prices, or prices will lose momentum and begin to tumble. The second scenario did materialize in 2019, is currently the case and may continue in the future.

It is also a rule that prices begin to plunge at the end of the year and extend to February of the following year, before making a U-turn. However, this routine may change if Chinese imports take place differently. The U.S. and European factors may exert some influence on domestic fish prices. However, they are no longer as big as they were.

The comprehensive picture of Vietnam's tra fish market has changed significantly. The American share is now only 15% while that of China is 35% and is forecast to rise further. Meanwhile, the EU and Southeast Asia account for under 10%. Needless to say, therefore, all eyes are now on the Chinese.

Changes to production methods and market structures

A drastic change to market shares always leads to considerable fluctuations of both prices and fish production.

The decline in the European market during a long time before 2010 resulted in plunging fish prices afterward. When the U.S. became a major fish buyer, any unfavorable condition from this market would soon destabilize the domestic fish market. And when China dramatically boosted their market share, prices soared; on the contrary, prices would plummet. Price fluctuations over recent times came mostly from changes to market structures. Covid-19 only played the role of another supplementary and dangerous factor.

The aftermath of market structure changes has forced domestic fish producers and processors to brace themselves for responses. The next question will then be which market may come to the rescue if China changes her fish import.

That may be reinstating the U.S. and European markets and seeking new markets in Russia, Japan and Southeast Asia. However, it is easier said than done if there is no breakthrough in fish production and distribution channels.

What should be taken into account is to exploit the domestic market whose purchasing power may amount to millions of tons of fish every year. Nonetheless, this option requires drastic changes in production methods, from fish raising to processing. The profit margin of the tra fish industry is extremely low, according to many researches. That's why it needs key changes in fish raising and processing technologies as well as market structures.

A wide domestic market also means creating more job opportunities for fish raisers and those who engage in the domestic supply chain. To turn this into a reality, it requires the participation of localities when it comes to production, consumption and investment for innovation.

The assistance of the Government via agricultural extension programs and promotion programs are really necessary. As long as profit is great enough,

companies will pool their money in new investment projects.

Vietnam's tra fish industry will rise to the challenge relying on the capacities they have developed previously. The dynamic enterprises who are bold enough to make new investment projects will reap profit from the market recovery.

6. Cement industry: domestic sale forecast to increase but export to slowdown

According to a recent report by SSI Research, domestic cement demand is expected to increase around 5-7 per cent this year compared to 2020. The increase in domestic sales will be fuelled by the increase in infrastructure investment, foreign direct investment inflow into the country and the recovery of the real estate market, which will push up demand for cement, SSI Research said.

Cement exports are expected to be stable as import demand of China remains high amid infrastructure investment, however, it would be difficult to see strong growth like 2020 because China's cement supply is gradually recovering.

Overall, total sales of cement and clinker are forecast to increase by about 2 per cent this year.

SSI Research estimated that total production capacity of the cement industry would increase by 7 million tonnes, or 7 per cent, due to new production lines that became operational at the end of 2020 and at the beginning of this year. Competition will also increase in the domestic market, boosting cement prices.

SSI Research also pointed out that heavy dependence on cement exports to the Chinese market remained a worry, especially as China could tighten its fiscal policies in the future. China accounted for 57 per cent of Viet Nam's cement and

clinker export and 22 per cent of the country's total cement and clinker sales last year.

Total sales of cement and clinker were estimated at 101.5 million tonnes last year, representing a rise of 1.5 per cent over 2019.

According to the Viet Nam Cement Association, due to the impacts of the COVID-19 pandemic, domestic sales of cement fell 5 per cent to 56.1 million tonnes in January – November as construction activities were sluggish, especially in the first four months of this year when social distancing was imposed. In January-April, cement sales decreased by 10 per cent from the same period last year.

However, domestic cement sales saw significant increases in May – November as the construction and investment in infrastructure was sped up.

The Government focused on speeding up the disbursement of public investment to drive economic growth in the pandemic, which accelerated investment in infrastructure development.

The cement export increased strongly in the first 11 months of last year, by 15 per cent over the same period, driven by exports to China which saw a rise of 102 per cent in volume.

7. Insurance firms struggle to attract investors despite good performance

Insurance companies performed well in Vietnam during the COVID-19 pandemic, but their shares have not attracted much attention from investors.

There are 11 insurance firms listed in Vietnam's stock market with three companies on UPCOM.

In 2020, Bao Minh Insurance Corporation (BMI) shares recorded a growth of nearly 22 percent, while Bao Viet Holdings (BVH) and BIDV Insurance Corporation (BIC) decreased by 4.3 percent and 9 percent respectively.

In the third quarter of 2020, BMI reported revenue from premiums of 905.48 billion VND, an increase of 2.1 percent year-on-year, while profit before tax increased nearly 47 percent to 78.89 billion VND, according to third quarter financial results. In the first nine months of 2020, profit after taxes reached more than 158.4 billion VND, up 15 percent year-on-year.

BVH and BIC also witnessed big returns during the same period. BVH earned 9,593 billion VND from premiums in the third quarter, up 6.2 percent year-on-year, while profit after tax up 29.4 percent to 473.31 billion VND.

Similarly, BIC saw an increase of nearly 13 percent year-on-year to 697.3 billion VND in premiums revenue, with profit after tax of 755.9 billion VND, up nearly 21 percent.

Data from the Ministry of Finance showed in the first eleven months of 2020, premiums revenue from insurance firms rose 16 percent year-on-year to 449.4 trillion VND. Of which, revenue from non-life insurance reached 54.2 trillion VND, and from life insurance 111.6 trillion VND.

In 2020, total premiums revenue was expected to reach 182.7 trillion VND, up 15 percent year-on-year.

The growth of the insurance market has been stable so far, but its size in the market is still small compared to its capability. Experts see further room for the market to expand.

According to a report from Bao Viet Securities, Vietnam is among countries with the fastest growth in the insurance sector during the 2016 – 2020 period, on the back of diverse needs in social welfare and medical care, as well as rising insurance needs in retirement, especially in a health crisis like last year.

Some companies, such as BVH, PVI Holdings (PVI) and Post-Telecommunication Joint Stock Insurance Corporation (PTI), have attracted more new customers than others.

With potential in expanding activities in many areas and connecting to big financial organisations, the demand for capital among insurance providers will increase gradually.

Focus on small companies

Instead of big companies, investors sought more interests in small insurance firms such as Bao Long Insurance Corporation (BLI), Agriculture Bank Insurance Joint Stock Corporation (ABI), PTI or Petrolimex Insurance Corporation (PGI).

In 2020, the price of small insurance companies' shares also rose sharply, such as BLI shares price increased nearly 49 percent, ABI rose 34.8 percent, PTI up 24.3 percent, and PGI up nearly 20 percent.

However, the growth can not be compared to other sectors like banking which was up more than 100 percent, such as Saigon Hanoi Commercial Joint Stock Bank (SHB) which increased more than 153 percent.

Since insurance is a part of the financial sector, it's market expectation is as high as banking or security, Nguyen Hong Khanh, head of analytics of Vietnam International Securities Joint Stock Company (VISE), told tinnhanhchungkhoan.vn. But the number of insurance stocks in the market is still low, so investors' attention is diverted to other sectors.

While investors are still searching for new and promising investments, there is a possibility they will only focus on well-known insurance firms with a proven track record and high potential for growth.

Corporate News

8. HNG: HNG transferred 3 more subsidiaries to Thadi

↓ -3.83%

On January 06, 2021, the Board of Directors of Hoang Anh Gia Lai Agricultural Joint Stock Company approved the Resolution No.0601/21/NQ-HDQT HAGL Agrico on transferring the total contributed capital owned by HNG at Hoang Anh Quang Minh Rubber Company

Limited, Tay Nguyen Cow One Member Company Limited and Hoang Anh Dak Lak JSC to Truong Hai Agriculture Joint Stock Company (Thadi). The transferred capital is accounting for 100% of the charter capital of 3 subsidiaries.

9. DXG: Board approves the redemption of ESOP shares

↑ 2.33%

The Board resolution dated January 08, 2021, the Board of Directors of Dat Xanh Group Joint Stock Company approved the redemption of shares from the employees resigned according to the ESOP regulation in 2017 and 2019. Details are as follows:

- Redemption volume: 777,225 shares:
- ESOP 2017: 218,225 shares

- ESOP 2019: 559,000 shares.
- Purpose: to recover shares from the employees resigned in the stock issuance under ESOP 2017 and 2019.
- Trading method: to transfer rights via the Vietnam Securities Depository (VSD).

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