



# VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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## Market Analysis

### 1. After 11 weeks of gains, analysts cautious about market prospects

Shares continued to gain last week despite a net sell value of VND2.2 trillion (US\$94.4 million) from foreign investors, but the fluctuations during the week made analysts more cautious about the market going forward.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index advanced for four sessions and declined once on Wednesday. The index ended the week at 1,194.2 points, up 2.3 per cent compared to the week before, marking the 11th straight week of growth since last year.

The index ended its eight-day rally on Wednesday, losing ground after hitting a historic peak of 1,200 points in the early session.

But the benchmark returned to its upward trend in the final two sessions of the week.

While at the beginning of the week analysts were confident the index would soon reach a record level of 1,200 -1,220 points, after the adjustment on Wednesday they became more cautious.

"The VN-Index will continue to struggle while trying to test the resistance zone of 1,200-1,220 points. The benchmark is receiving support from the 1,175-1,180 points zone. If we lose this support zone, the market's risk of adjustment is higher in the short-term," said Tran Xuan Bach, a stock analyst at Bao Viet Securities Co.

Investors will pay more attention to fourth-quarter results. Also, this week, the HoSE will release a result of portfolios changing of indexes, including the VN30-Index and VNFINLEAD Index, for the first time of 2021, Bach added.

Analysts from Saigon-Hanoi Securities Joint Stock Company (SHS) expected the benchmark on the southern market is at the end of its upward trend and needs to decrease before surging back.

"If the index cannot bounce back to surpass the resistance zone of 1,200- 1,211 points but continues to fluctuate and even decline next week, then this scenario is right," SHS added.

The VN30-Index climbed 1.13 per cent to end Friday's session at 1,182.2 points. The large-caps drove the market's growth.

Banking, securities, real estate, information technology (IT), utilities, materials and production sectors posted good performance last week.

Materials stock rose the most with Song Hong Joint Stock Corporation (SHG) up 5 per cent and Hoa Phat Group Joint Stock Company (HPG) up 4.1 per cent.

The materials group was followed by the IT group with notable representatives of FPT Corporation (FPT) increasing by 5.2 per cent and CMC Corporation (CMG) rising by 1.3 per cent.

On Ha Noi Stock Exchange, the HNX-Index increased by 1.44 per cent to 225.47 points.

Last week, liquidity on both exchanges, HoSE and HNX, continued to increase and set a new record with a value of more than VND20.2 trillion per session on the two exchanges.

Meanwhile, foreign investors net sold 26.4 million shares during the week, with a net sell value of nearly VND2.2 trillion.

## Macro & Policies

### 2. Cement exports unlikely to enjoy robust growth in 2021

While domestic demand for cement in 2021 is forecast to increase due to increased public investment, the export segment is largely anticipated to enjoy no breakthrough due to low demand from importing countries.

With regard to growth prospects for the local cement industry ahead in 2021 as provided by SSI Research, the demand for cement consumption amid the domestic market is anticipated to reach a growth rate of between 5% and 7%.

This increase in consumption demand can largely be attributed to investment in infrastructure and FDI inflows into the country, in addition to the recovery of real estate construction through major infrastructure projects being implemented, including the North-South expressway project and the Long Thanh airport project.

According to figures released by the Vietnam Cement Association, despite recording a low growth rate in the local market due to the impact of the novel coronavirus (COVID-19) pandemic during 2020, the Vietnamese cement industry enjoyed robust growth in terms of export volume during the 11-month period with an annual increase of 15%.

Most notably, the strongest growth period was recorded between May and September, with a rate of 47% compared to the period from 2019, largely due to increasing demand from the Chinese market.

A representative of SSI believes that although the sector will not achieve robust growth like in 2020, the total consumption of cement and clinker will rise by approximately 2% in 2021.

Despite achieving strong growth, the cement industry has revealed a number of inadequacies that exist, including a heavy reliance on the Chinese market and the limited production capacity of cement plants, experts noted.

Despite Vietnam is the world's fifth largest manufacturer and largest one in Southeast Asia, the country's production capacity per factory is less than half of factories from neighbouring countries such as Thailand and Indonesia, with only 2.1 million tonnes produced annually per factory.

Industry experts therefore emphasized the need to ramp up the production capacity of local cement plants to between five and 10 million tonnes per year in a bid to ensure effectiveness in the long term whilst simultaneously reducing costs moving forward.

### 3. Fishery sector carries out electronic traceability for seafood products

Nguyen Quang Hung, deputy director of the Directorate of Fisheries under the Ministry of Agriculture and Rural Development said the directorate has been using paper-based records of traceability for catching fishery products on the sea.

However, that has taken time and not ensured the accuracy during filling information for the traceability, including region and volume of catching fish, he said.

Fishermen have also complained that in the bad weather, they have had difficulties in completing the documents. In addition, record keeping is also not convenient.

To solve this problem, the Directorate of Fisheries is developing electronic traceability software and will pilot it in a number of localities such as Vung Tau, Khanh Hoa, Binh Dinh and Phu Yen.

The traceability software is expected to apply to fishing activities nationwide over the next three years, the Nong thon Ngay nay (Countryside Today) newspaper reported.

The electronic fishing dairy and the traceability software will improve the accuracy and convenience in completing information about traceability for seafood products and managing that information, Hung said.

The directorate will also train fishermen, fishing port management systems and fisheries sub-departments in 28 provinces to use that software.

Hung said the traceability of fishery products is now compulsory according to the needs of the market. It is also one of the mandatory requirements to combat illegal, unreported and unregulated fishing (IUU fishing) of the European Union.

Domestic consumers also need transparency in traceability of seafood products from the supply to stages of processing and consumption.

Viet Nam has carried out the traceability of seafood products since the Law on Fisheries 2003 was introduced with the requirement that records must be kept in diaries to serve the traceability of products.

The fishery sector has had 57 fishing ports eligible to grant certification on traceability of seafood products. They have asked fishermen to keep a diary while at sea and vessels purchasing fish to have reports from fishing vessels. Arriving at the port, the port management agencies would confirm origin of the seafood products. Then, the Fisheries Sub-Department will certify origin before exporting or selling to the market, Hung said.

#### 4. Pork market for Tet holidays: plentiful supply, unstable prices

##### Sufficient supply

Dong Nai Province is currently the leader in repopulation and recovery of pig herds after the African swine fever (ASF).

According to data from Dong Nai Statistics Office, up to now, the total pig herd in Dong Nai Province has reached about 2.2 million pigs, up nearly 10.8 percent over the same period last year. Most of the large-scale pig farming facilities, which fully ensure safety conditions, have continued to expand the farming scale, speeding up the growth of pig repopulation. During and after ASF, some new businesses in the livestock sector still focus on expanding investment and start to have an abundant source of market hogs to provide the market.

According to Ms. Nguyen Thi Huong, Director of Huong Vinh Cuu One Member Limited Company, despite difficulties due to the ASF epidemic, over the past time, her company has expanded its farming scale with three large farms, a slaughterhouse, and two outlets selling safe pork.

Moreover, the owners of small-scale pig farms in Dong Nai Province have also strived to increase their pig herds. Suffering heavy losses after the outbreak of ASF, Tran Van Khanh, a pig farm owner in Vinh Cuu District, decided to change the pig-farming method. To ensure safety, he spent VND1 billion to invest in a standard cold pig barn and contracted for outsourcing pig farming for enterprises. In the past, Khanh raised 1,000 market hogs, but now he has

expanded the farming scale to 1,500 porkers for Tet holidays.

Nguyen Van Dao, another pig farm owner in Vinh Cuu District, said that the farm had been increasing its breeding stocks to expand the farming scale. Currently, on average, his farm provides 100 market hogs per month to the market. In Cam My District, small pig-farming households are also repopulating their pig herds, and together with the large farms in the district, the total pig herd of the district has risen to 200,000 pigs, reaching more than 85 percent compared to the total pig herd before the ASF epidemic.

According to the leader of the Department of Industry and Trade of Dong Nai Province, the pig-farming industry still faces great risks, but the pork market during Tet holidays is unlikely to suffer a shortage of pork as supply has been guaranteed. With the number of pigs that Dong Nai Province currently has, from now to the Lunar New Year, a shortage of pork supply for HCMC and neighboring provinces is unlikely to happen. The department had worked with livestock groups and slaughter companies to get the data on pork supply.

In the Mekong Delta, provinces have also been struggling to restore pig herds to supply the Tet market. In Ben Tre Province, Mr. Doan Van Danh, Director of the provincial Department of Agriculture and Rural Development, said that with the current pig herd of more than 350,000 pigs, the province

could still ensure the supply for the upcoming Lunar New Year.

Many pig-farming households in Chau Thanh District in Tien Giang Province said that at present, the price of live pigs bought by traders is not high, so some households will keep their pigs till near the Lunar New Year to sell. According to Nguyen Van Cuong, a local pig-farming household, the price of porkers weighed at the barn was VND8 million per quintal, while traders sold porkers at about VND8.5 million per quintal. This price level is still profitable for pig farmers. However, compared to the previous year, this price is about VND500,000 per quintal lower. Therefore, his family still holds their pigs to wait until the price is high, then they will sell.

In Dong Thap, Mr. Bach Tuan Kiet, Head of the Department of Disease Control under the Department of Livestock Production, Veterinary, and Fisheries of Dong Thap Province, said that the total pig herd in the province was more than 71,000 pigs in October last year. The provincial authorities have actively implemented detoxification and disinfection, coordinated with localities to thoroughly handle the outbreak, and promptly repopulate the pig herds to serve the Tet market.

Besides the number of pigs raised in provinces, the number of live pigs imported from Thailand has also increased sharply. The increase in imported frozen pork in the fourth quarter of last year has also made the supply of pork plentiful.

### **The prices of pork change constantly**

At this time, the pork products sold on the HCMC market are plentiful and diverse. The general purchasing power of pork on the market has dropped sharply over the same period. From the beginning of January this year to now, the price of live hogs has climbed continuously, from VND74,500 per kilogram to VND80,500, causing the demand for pork of consumers to somewhat weaken.

Mr. Le Van Tien, Deputy Director of Hoc Mon Wholesale Market, which provides about 50 percent of pork production to the HCMC market, said that until now, it is unknown that how much the price of live hog will increase. Noticeably, although the price of pork has escalated, the number of pigs arriving at

Hoc Mon Wholesale Market has not declined, still fully meeting the new consumption demand at around 4,500 - 4,600 pigs per day.

In recent days, at Han Market in Hai Chau 1 ward, in Hai Chau District in Da Nang City, the prices of pork change every day, causing difficulties to small traders. Five out of 15 meat stalls at Han Market have temporarily closed earlier. The atmosphere of buying and selling activities during the days near Tet has never been so gloomy.

Similar to HCMC, according to Mr. Nguyen Huu Hanh, Deputy Director of the Department of Industry and Trade of Da Nang City, pork is expected to see high demand on the occasion of Lunar New Year, so the department has called for local enterprises with the capability and experience in production, supply, and distribution of pork products to participate in selling price-stabilized pork for Tet holidays. The selling points in the market stabilization program are expected to be held from February 9 to 11, from 6.30 a.m. to 8.30 p.m.

It is essential to find out why the prices of pork increase

In fact, increasing pork price not only directly affects consumers' pockets, but it also makes traders worry. The purchasing power will be unable to jump as expected because consumers will cut down spending or use other kinds of foods. Many people believe that if the price of live hogs during the Lunar New Year hovers around VND78,000-VND80,000 per kilogram, it will stimulate purchasing power better. At the same time, it will pull down the CPI increase in the month of Tet holidays because pork currently accounts for a fairly high proportion in the proportion of foods of the people.

Amid market developments, the current supply of pork and the stock for the upcoming Lunar New Year is quite plentiful and diverse. However, why have the prices of pork constantly increased in the past few days? Because the strong purchasing power leads to a scarce supply or other reasons? According to many economic experts, authorities need to find satisfactory answers for these questions soon to guarantee the interests of consumers, contributing to stabilizing the market in the peak business season before the Tet holidays.



## 5. Vietnam to cut 1.3 billion kWh of renewable energy this year

According to Nguyen Tai Anh, deputy general director of EVN, with a total installed capacity of 69,300 MW, Vietnam's electricity system is the second largest in the region and 23rd largest in the world.

The country saw a surge in renewable energy development last year, especially rooftop solar power, whose output soared from 6,000 MWp in June to 10,000 MWp in December 2020.

Overloads were reported in Ninh Thuan, Binh Thuan and some central provinces. "The surge forced the National Load Dispatch Center to cut 365 million kWh of solar output last year," Ninh said.

The oversupply of renewable energy, especially during midday from 10 a.m. to 2 p.m. when the electricity demand is low, and the overloaded transmission lines from the central region to the north are among the biggest challenges facing the electricity sector this year.

As of December 25, 2020, some 83,000 rooftop solar power projects had been connected to the national grid. EVN said rooftop solar power projects have contributed to ensuring sufficient power for the country. However, the hefty rise of solar power output has made it difficult for EVN to ensure stable power distribution nationwide.

## 6. Intellectual property waring to local firms

According to Le Ninh Giang, director of the centre for IP technology and application (IPTA) said a lot of enterprises focused on forming businesses, calling for investment capital but not registering for any IP protection rights.

He said it comes as no surprise when he discovers cases where companies lost their IP assets in foreign countries when trading.

He said cases concerning Phu Quoc fish sauce, Vinataba cigarettes or Buon Ma Thuot cafe were good examples of just some companies who have fallen foul of foreign IP regulations.

Giang said: "Many business owners still don't know about IP registration and they are not yet aware of the importance of protecting IPs when exporting their products.

"While multinational enterprises in the world have invested a lot of resources in registering IP, few local enterprises understand the importance of the issue."

He said in many cases, Vietnamese enterprises invested a lot in their brands in the country, making their products known by local consumers, but when they went to the international market, they became

anonymous or already lost their brands which were being registered by another foreign company.

Vu Thi Thuan, chairwoman of Traphaco said: "In the pharmaceutical industry, there are many creative values that need to be protected. However, the current understanding of IP protection in Viet Nam is not yet sufficient, leading many businesses to potentially violate the law.

"For sustainable development and integration, local enterprises must firstly respect IP rights."

In order to effectively implement commitments on IP with further integration to the international economy, lawyer Pham Duy Khuong, SB Law Firm said: "Vietnamese enterprises need a strategy for international trademark registration with good consideration for cost, time, quantity and country of registration."

Khuong advised businesses to learn carefully about the register to save time, cost and bring the best effect to the trademark in a foreign country.

Lawyer Le Quang Vinh from BROSS & Partners Law Firm added: "If the enterprises don't register for IP protection, they will lose export opportunities to expand their markets and will face with legal risks

and lose many opportunities to benefit from free trade agreements like CPTPP, EVFTA, RCEP.

"If they discover that their IP rights have been lost, it is necessary to quickly research and collect evidence, file an objection and cancel or suspend the validity of the rights."

At the same time, seeing the increasingly deepening international integration of Viet Nam through the participation in the new generation of free trade

agreements (FTAs) as well as the wave of the industrial revolution 4.0 and the trend of trade protection in the world, the National Office of Intellectual Property, Ministry of Science and Technology also organised a consultation workshop on the draft law to amend and supplement the current IP Law in Ha Noi earlier this week.

It was expected that after this process, the law will have 18 chapters and 235 articles.

## 7. Exporters complain as cost for containers skyrockets

During the last three months, the cost to hire a 40-foot container increased to US\$8,000, even to \$10,000 in certain cases, from less than \$1,000 at the beginning of 2020. It has sharply driven up expenses for exporters and raised concerns over a lack of transparency and inadequate price management of containers, said businesses during a meeting in Ha Noi with the Viet Nam Maritime Administration (VMA).

A wide range of businesses across all sectors have been hit by the price hike, which exporters claimed was "nonsensical" while demanding shipping companies take steps to rein it in and be more transparent regarding their pricing.

General Secretary of the Viet Nam Plastics Association (VPA) Huynh Thi My said the price hike has severely hampered export activities of plastic makers, resulting in significantly lower export volume and in one instance effectively shut down an Indian plastic firm in the Viet Nam - Singapore Industrial Zone in northern Bac Ninh Province for the whole of December last year.

A representative from the firm said it was forced to shutter operations because of the price hike, which has brought its operational cost to an unsustainable level. Other plastic makers also reported a 50 per cent higher inventory compared to the same period last year, even after they bit the bullet and shipped orders at a loss-incurring cost.

"We [the VPA] demanded the VMA and other trade authorities launch investigations into and conduct thorough reviews on shipping companies' pricing policies," said My.

The VPA also called for a review of current regulations, pointing to a lack of a control mechanisms and transparency over the price to hire containers in Viet Nam. Measures must be taken so avoid future price hikes.

Meanwhile, shipping companies cited difficulties caused by the pandemic, a spike in exports to the EU and US markets and longer time required to free up containers for hire. They said the situation is not likely to improve until at least March, or in worst-case scenario well into the year's second quarter.

Deputy head of the VMA Hoang Hong Giang said the administration has required shipping companies to publish their prices and organised meetings with exporters.

"The reason behind the recent price increase for container-for-rent was a matter of supply and demand. The administration, however, insisted that shipping companies must be transparent with pricing policies. We have also considered commandeering thousands of unclaimed containers in ports across the country as a solution to the shortage," he said.

Tran Thanh Hai, deputy head of import and export from the Ministry of Trade and Industry, said the ministry is to report the matter to the Prime Minister's Office. Meanwhile, he urged exporters to look into alternatives such as railway transport to EU markets and to renegotiate delivery dates with buyers.

## Corporate News

### 8. VJC: Vietjet eyes aircraft purchases as it relies on vaccine rollouts to revive air travel

↑ 0.84%

"In 2021, we expect to continue to receive new modern planes and will invest in maintenance and training facilities, and the investment will be higher than in 2020," Vietjet CEO Nguyen Thi Phuong Thao said in an interview recorded on Jan. 9 and broadcast on Thursday at the Reuters Next conference.

Vietjet said separately on Wednesday it raised \$28 million via a bond issuance last month to fund its development plans in 2021. It did not provide further details about the bond sale.

Vietnam has been successful in containing the coronavirus with a series of quarantine and tracking measures. With just over 1,500 infections and 35 deaths in total, it has resumed economic activities earlier than much of Asia.

While all international commercial flights have been suspended since late March, domestic air travel has been subjected to few restrictions.

Vietjet's cargo transport in 2020 rose 75 percent from 2019, she said, adding that its overall domestic operations recorded positive growth in 2020, without giving comparative figures.

With the early Covid-19 vaccine roll-out around the world, Thao expects the global aviation industry to recover rapidly.

Vietjet's Thai unit increased its aircraft fleet to 15 last year, while its market share there also increased, she added.

"Air travel demand is extremely high for business, investment, education and healthcare purposes, and we have been actively conducting flights to repatriate Vietnamese people from overseas," Thao said.

She said the company is considering options to raise funds for its investment plans for this year, though she did not name an amount.

"Our debt-to-equity ratio is 1.0, compared with over 3.0 for the aviation industry, so we have room to mobilize funds for our development," Thao said.

The airline continued to take delivery of Airbus SE narrow-body jets last year despite some supply chain interruptions at the manufacturer but Boeing Co did not meet its delivery schedule, she said.

Vietjet has 200 737 MAX jets on order, according to Boeing, but the plane has not yet returned to service in Asia following a near two-year global grounding.

### 9. CRE: Board resolution on real estate investment

↓ -1.09%

On January 05, 2021, the Board of Directors of Century Land Joint Stock Company approved the purchase, selling, transfer of real estate products in Hoang Van Thu New Urban Project in wards Hoang Van Thu, Think Liet, Yen So in Hoang Mai District,

Ha Noi City, which was invested by Hoang Mai Urban Investment Development Joint Stock Company, with the total estimated investment of 838,094,520,000 dongs (including lands and houses).



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