



VIETNAM DAILY NEWS

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Market Analysis

1. Market ends lower on fears of new community COVID-19 cases

Shares finished lower on Thursday with market benchmarks down more than 6 per cent as investors flee stocks after new community COVID-19 cases were reported in Quang Ninh and Hai Duong provinces.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) decreased by 6.67 per cent, equivalent to 73.23 points, to end Thursday at 1,023.94 points. The index posted a loss of nearly 71 points in the morning session.

The market breadth was negative with 478 stocks declining, of which 276 stocks hit the maximum daily loss, while only 20 stocks climbed. And 12 stocks ended flat.

Reports on new community COVID-19 cases in Hai Duong and Quang Ninh provinces weighed on the market which faced selling pressure recently.

Two community infections of COVID-19 were confirmed on Thursday morning, marking the first local transmissions for almost two months. One of the new cases is linked to a woman who tested positive for the new variant of coronavirus after arriving in Japan to work earlier this week.

As of noon on Thursday, another 82 more cases connected to these two tested positive for COVID-19.

The Government, local authorities and related agencies have immediately carried out necessary measures to contain the spread.

During the session, more than 767.87 million shares were traded on the southern bourse, worth nearly VND18.4 trillion.

The VN30-Index also posted a loss of nearly 73 per cent, equivalent to 6.73 per cent, to 1,010.75 points. Twenty-nine of 30 largest stocks went down with 28 stocks hitting the maximum intra-day loss of 7 per cent, while only one stock rose. In the morning session, all 30 large-cap stocks fell.

EXIMBANK (EIB) was the stock that reversed course after an earlier decrease. EIB shares price ended Thursday at VND18,100, up 2.26 per cent.

All sectors including banking, securities, real estate, construction, utilities, production, IT and logistics continued downwards with hundreds of big stocks posting a fall of 7 per cent.

Top five stocks influencing the market were Vietcombank (VCB) down 6.98 per cent, Vingroup JSC (VIC) down 7 per cent, Vinhomes JSC (VHM) down 6.92 per cent, Viet Nam Dairy Products JSC (VNM) down 6.97 per cent and JSC Bank for Investment and Development of Viet Nam (BID) down 6.9 per cent.

On the Ha Noi Stock Exchange (HNX), the HNX-Index fell more than 8 per cent to 203.05 points. The 30 large-cap tracker HNX30-Index in the northern market decreased by 8.2 per cent on Thursday.

More than 132.8 million shares were traded on the HNX exchange, with a trading value of nearly VND1.84 trillion.

In contrast with domestic investors, the market recorded cash inflows from foreign investors, with a value of VND482.09 billion on the HoSE and VND26.94 billion on the HNX.

Macro & Policies

2. Animal feed exports poised to hit \$1 billion mark

The country's livestock feed exports in December 2020 grew very robustly, reaching US\$80 million, up to 55 per cent month-on-month and 10 per cent year-on-year, statistics from the General Department of Customs showed.

This sharp increase in December was fueled by a high growth rate in three leading markets of China, Cambodia, and the US at 84 per cent, 66 per cent and 69 per cent, respectively.

Thanks to such a significant growth seen in December, the country's animal feed export turnover in 2020 reached over \$800 million, up 17 per cent compared to 2019 with China, Cambodia and the US being the three largest consumption markets, accounting for over 10 per cent of the nation's total export value.

Last year, Vietnamese exports of animal feed to China in 2020 topped \$211.23 million, a yearly increase of 16 per cent, and making up for 26.4 per cent of the total turnover while the figure to Cambodia hit \$122.3 million, increasing 23 per cent

year-on-year or equivalent to 15.3 per cent of the proportion.

Meanwhile, exports to the US reached \$114.5 million, up 125 per cent compared to 2019, accounting for 14.3 per cent of the proportion. This impressive growth rate demonstrated that Vietnamese animal feed could penetrate more and more into tough markets.

According to the Ministry of Industry and Trade, the country's turnover in exports of such products to key markets increased in 2020 compared to the previous year.

However, turnovers of many small markets were still declining such as Japan with \$26.2 million, down 27 per cent year-on-year; South Korea with \$19 million, down 18.5 per cent and Indonesia with \$11 million, down 33 per cent.

Viet Nam is now home to 265 animal feed production businesses, of which 180 were domestically run. Although domestic enterprises outperformed in terms of quantity, foreign firms still led the way in terms of capacity and market share.

3. Corporate bond market forecast to be robust this year

According to Nguyen Hoang Duong, Deputy Director of the Department of Banking and Financial Institutions under the Ministry of Finance, the corporate bond market had become an increasingly important channel for enterprises to raise capital in recent years, which helped reduce pressure on banking credit.

However, not every enterprise was in a safe enough situation for bond issuance, Duong said, adding that there were many of small scale, especially those operating in real estate development, but issue corporate bonds much higher than their equity, posing risks to the market if these enterprises fell into difficulty and failed to pay debts.

"If investors do not evaluate risks and invest in corporate bonds just because they're lured by high interest rates, it will be very risky," Duong said.

A recent market report of the VNDirect Securities Company showed that the total corporate bonds issued in 2020 were worth nearly VND437.7 trillion (US\$18.87 billion), an increase of 38.8 per cent against the previous year.

Due to the rapid growth of the corporate bond market, measures to minimise risks to the market were applied. The Government's Decree No 81/2020/ND-CP which took effect from September 1 tightened private placement, including caps on the outstanding corporate bonds (not exceeding five times the equity).

According to Duong, the corporate bond market lost momentum in recent months due to tightened regulations.

In that context, Decree No 153/2020/ND-CP dated December 31 which took effect from the beginning of this year and replaced Decree No 81 untied the market to support transparent enterprises in raising capital through bond issuance.

Under Decree No 153, an enterprise could issue bonds if it was a joint stock or limited liability company, paid due debts on time and adequately for three consecutive years, met financial safety ratios, ensured operation safety, had approved bond issuance plan and audited financial report.

Experts expected this would create conditions for the corporate bond market to be robust against in 2021.

Expert Truong Thanh Duc said that tightening regulations on corporate bond issuance was not necessary because this might force small enterprises to turn to unofficial channels to raise capital, even black credit.

It would be better to have a property management mechanisms to ensure transparency and fairness in accessing investment opportunities for investors.

For the long term, improving the credit rating service for enterprises was critical as credit rating became mandatory for enterprises in bond issuance, he said.

According to Asian Development Bank (ADB), reforms that drove demand for credit ratings would support the development of the corporate bond market.

ADB pointed out that after years of sluggish growth, Viet Nam's corporate bond market had blossomed. Issuances grew at a compound annual growth rate of 40 per cent between 2012 and 2019, and outstanding issuances amounted to around 11.5 per cent of Viet Nam's GDP – the fourth-highest in ASEAN, and further gains were likely.

“A credible local rating agency is a key missing ingredient in Viet Nam's otherwise flourishing corporate bond market. Partnerships with global rating agencies would unlock the market's potential, but these agencies want certainty that the demand for ratings is real,” ADB wrote.

4. Domestic market to remain priority for Vietnam aviation industry in 2021

Vietnam's effective containment of the Covid-19 pandemic would help boost domestic demand for air travel in 2021, in which the number of air passengers could return to the pre-Covid-19 level of 73 million this year, or an increase of 23% year-on-year.

Number of air passengers going through Vietnam's airports in 2014-20. Source: Bloomberg, SSI

SSI Securities Corporation made the prediction in its latest report on the outlook of the local aviation industry in 2021.

“The domestic market will remain a priority for the industry, at least until the end of the first half of 2021,” stated SSI's report.

According to the SSI, the serious Covid-19 situation globally means the Vietnamese government will

keep its current border closure until the second half of 2021.

“The efficiency of Covid-19 vaccine will be a decisive factor for Vietnam to ease current travel restriction and resume international flights,” stated the SSI.

Nevertheless, SSI's report estimated the number of international passengers to Vietnam would reach 12 million in 2021, representing a 100% increase year-on-year, or 34% of the pre-Covid-19 level, and by 2022, the figure would be fully recovered when tourism activities return to normal.

Meanwhile, air cargo transportation is likely to recover in late 2021 along with resumption of international flights and airlines shifting their focus to air freight to take advantage of high transportation cost during the pandemic.

The SSI expected the volume of goods transportation to return to normal of 1.5 million tons by 2021, referring to Vietnam's plan of importing 30 million doses of Covid-19 vaccine in 2021 from AstraZeneca, Pfizer and Sputnik V.

“The outlook of Vietnam's domestic aviation market, however, is dependent on the government's efforts of keeping the pandemic situation under control,”

stressed the SSI, saying it will not rule out a future global outbreak.

In 2020, Vietnam's airports handled 66 million passengers, down 43% year-on-year, in turn halting the strong growth momentum of the aviation sector with the compounded annual growth rate (CAGR) of passengers at an average of 18.3% in the past five years.

5. January FDI tops 1.5 billion USD

Foreign investors had poured 1.51 billion USD into Vietnam as of January 20, a 4.1 percent increase over the same period last year, according to the Ministry of Planning and Investment (MPI).

Forty-seven new projects were granted investment registration certificates, a year-on-year decline of 81.8 percent, while the registered capital topped 1.3 billion USD, down 70.3 percent.

Forty-six existing projects registered to add capital totalling 472.2 million USD, up 41.4 percent year-on-year.

Meanwhile, capital contributions and shares purchases by foreign investors stood at 220.8 million USD, down 58.7 percent.

Foreign investors pumped capital into 14 sectors in the period, with processing and manufacturing holding the lead at nearly 1.54 billion USD, representing 76.4 percent of the total.

Real estate ranked second with nearly 179 million USD, followed by transportation and warehousing and agro-forestry-fisheries with 111.9 million USD and 60.4 million USD, respectively.

Singapore topped the list of the 33 countries and territories investing in Vietnam, with 680.7 million USD, accounting for 33.8 percent of the total.

China was second with 618 million USD, followed by Hong Kong (China) with 221.3 million USD.

6. Vietnam amends IP law to meet FTA requirements

Vietnam's Intellectual Property law is undergoing amendments to help the country comply with new treaty requirements under the recently-signed free trade agreements (FTAs).

In mid-January 2021, multiple ministries responsible for intellectual property (IP) issues hosted a workshop to consult on the draft law with IP owners, IP firms and IP associations, according to London-based Rouse, a global intellectual property leader.

The timeline will likely be another year to enactment of the law, with the next step being finalizing the draft following the workshop which was supported by the UK's Prosperity Fund FSIP program and the British Embassy in Hanoi.

The draft law amendments will help Vietnam abide by regulations stipulated in the EU-Vietnam Free Trade Agreement (EUVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP), said the company that operates as a closely integrated network 18 offices in 13 countries.

Nick Redfearn, Rouse's deputy CEO, and Rouse Vietnam Office's Country Manager Yen Vu have pointed out some of the amendments, as followed:

Copyright shows a means to resolve royalty disputes with Collective Management Organizations (CMOs), clarity on parallel imports of copyright works and

exhaustion of rights of IP owners to prevent subsequent distribution, clarity on exceptions and limitations.

Trade marks help expand the definition to include sound marks, various procedural matters. The issue of bad faith was raised in the consultation.

Patents cover national security exception on certain patents proposed to be filed abroad, compensation for regulatory approach delays for pharma patents.

Designs include partial product designs to be allowed with various procedural amendments.

IP Enforcement of IP rights – a major proposal is to restrict administrative action for IP infringement.

Vietnam's efforts

According to the Ministry of Science and Technology's Intellectual Property Office of Vietnam, the revised IP Law was ratified by the National Assembly in June 2019 with an aim to

timely legalize the obligations required in the CPTPP which took effect in Vietnam since January 2019.

Intellectual property-related contents in this law focus on five major groups of issues, including: (1) how to apply for registration of establishment of industrial property rights; (2) invention; (3) trademark; (4) geographical indications and (5) protection of intellectual property rights.

Impact of FTAs in IP law

Almost every member of the World Trade Organization (WTO) has had to reform their intellectual property laws in order to meet the minimum standards of protection that Trade-Related Aspects of Intellectual Property Rights (TRIPS) prescribes.

Since the 1995 World Trade Organization (WTO) Agreement on TRIPS, trade policy has been used to advance intellectual property rights rules internationally. The TRIPS agreement sets minimum standards for IPR protection and enforcement.

7. Footwear sector further penetrates global supply chain

Vietnamese companies have proved their capacity in research and development (R&D) and design, according to Chairman of the Vietnam Leather, Footwear and Handbag Association (LEFASO) Nguyen Duc Thuan.

Signs show that Vietnam is further penetrating into the leather-footwear supply chain, he said, as the design and R&D processes rake in high added value for products.

The domestic supply of materials for the sector now represents 60%. Local businesses can take the initiative in producing soles and moulds, as well as packaging and labelling. This is attributable to their activeness in manufacturing materials locally, Thuan added.

In particular, the Gia Dinh Footwear JSC has set up industrial clusters to attract investment in material production and workshops serving the industry. Its CEO Nguyen Chi Trung said orders for the footwear sector have been on an upward trend since the end of 2020.

As order numbers have recovered and are even on the rise, all workers have been able to return to production.

Shortages are likely, though, as there will be high demand for workers in April and May, Trung said.

Other businesses in the sector are also hoping that 2021 will see a surge in both orders and revenue thanks to advantages held post-pandemic.

Of particular note, the EU-Vietnam Free Trade Agreement offers a major opportunity for Vietnam to bolster exports to the EU.

Footwear companies have been advised to pay due regard to sustainable development, most notably in environmental and labour issues, to devise suitable strategies.

Thuan noted that the sector has set a target of earning more than US\$20 billion in exports this year, to offset losses posted in 2020.

Though China still accounts for half of the global footwear production, Vietnam's exports to its

northern neighbour surged 15% for the first time last year, he noted.

Corporate News

8. VHC: Seafood processor Vinh Hoan buys 51 pct stake in snack company

↓ -6.88%

It bought 3.56 million shares from the State Capital Investment Corporation (SCIC) at VND97,500 per share in a deal worth almost VND350 billion.

SCIC had planned to auction the shares in July 2020 at a starting price of VND111,700 (\$4.80), but failed to attract investor interest.

Sa Giang makes ready-to-eat foods such as prawn crackers and instant noodles and newer products such as crackers made from crab, fish and squid.

It mainly exports its products to Europe, especially Germany and the Netherlands, and some Asian countries.

Last year it reported revenues of VND310 billion and a net profit of VND31 billion.

The company has convened an extraordinary general meeting at the beginning of February to dismiss some members of the board of directors and the supervisory board and elect new ones.

9. TCB: Techcombank profits sharply up

↓ -6.87%

It remained the third most profitable bank in the country behind state-owned Vietcombank and VietinBank.

Its revenues rose 28 percent to VND27 trillion, nearly 70 percent of its interest income. The rest mostly comprised income from fees and securities investment.

Provisions were up 2.8 times to over VND2.6 trillion as businesses, hit hard by the Covid-19 pandemic, struggled to repay loans.

Credit grew at a whopping 23 percent against the country's average of 10.14 percent.

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