



VIETNAM DAILY NEWS

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Market Analysis

1. Shares rise on strong injection of cash flow

Vietnamese shares nudged higher on Wednesday as investors poured cash flow into blue-chip stocks.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.94 per cent to end the morning session at 1,143.21 points.

Nearly 790.5 million shares were traded on the southern bourse, worth VND18 trillion (US\$782.6 million).

Market breadth was positive with 244 gainers and 197 decliners.

The large-cap tracker VN30-Index was up 0.85 per cent to 1,113.72 points.

Seventeen of the 30 large-cap stocks in the VN30 basket increased while thirteen declined.

Three banking stocks in the VN-30 basket, Vietinbank (CTG), Vietcombank (VCB) and HDBank (HDB), all soared with CTG and VCB hitting the ceiling prices, HDB gained more than 5 per cent.

Other blue-chips such as Hoang Huy Investment Financial Services JSC (TCH), Bank for Investment and Development of Viet Nam (BID) and Eximbank (EIB) gained more than 4 per cent.

Military bank (MBB), Khang Dien House (KDH) and Novaland (NVL), Sacombank (STB) and Techcombank (TCB) were among the advancers over 2 per cent.

On the negative side, PVPower (POW), Sabeco (SAB) and FLC Faros Construction JSC (ROS) were among the losers, dropping more than 1 per cent.

“Market liquidity increased slightly, market amplitude widened and positive market breadth

reflected strong domestic cash flows in the market,” said BIDV Securities Co (BSC).

“Foreign investors turned to be net buyers on the HOSE while they were net sellers on the HNX.

“With cash flow from domestic and foreign investors continuing to support the market uptrend, the VN-Index is likely to successfully retest the 1,150 points threshold in the coming sessions.

Foreign investors net bought VND227.16 billion on HOSE, including Vietinbank (CTG) with VND108.4 billion, Vietcombank (VCB) with VND61 billion and HDBank (HDB) with VND51.8 billion. They were net sellers on the HNX with the value of VND14.11 billion.

Sixteen of 25 sector indices on the stock market gained ground, including wholesale, real estate, IT, insurance, energy, healthcare, construction materials, banking, securities, agriculture and construction.

They all gained between 0.2 and 3.2 per cent.

On the opposite side, losers were retail, food and beverage, rubber production, logistics and seafood processing.

On the Ha Noi Stock Exchange, the HNX-Index rose 1.71 per cent to close Wednesday at 211.68 points.

The index had climbed 0.9 per cent to end Tuesday at 208.13 points.

More than 148 million shares were traded on the northern market, worth VND2 trillion.

Macro & Policies

2. Bright prospects ahead for pangasius exports to UK

Ta Ha, an expert of the Vietnam Association of Seafood Exporters and Producers (VASEP), says pangasius exports to the UK market during Jan. - Nov. 2020 witnessed a surge of 48% to US\$60.15 million.

The UK also emerged as the sole export market to achieve positive growth over a period of nine consecutive months. Statistics indicate that roughly 90% of the UK's total import volume and value of this item comes from Vietnam. The European country tends to import frozen tra fish directly from the Vietnamese market as opposed to intermediate markets based in the EU.

Most notably, the average import price of pangasius in the UK market has remained relatively stable, ranging from between US\$2.98 and US\$3.98 per kilo.

Ha also reveals that there are close to 40 local firms involved in exporting pangasius to the UK, and

major brands of VDTG, AGIFISH, and VINH HOAN CORP are accepted by the market.

According to the Ministry of Industry and Trade, the COVID-19 pandemic has changed the British people's consumption habit as they prefer seafood that are easy to be preserved and cooked and offered at a reasonable price. Frozen Vietnamese pangasius are favourites with the British as they are quality products with an affordable price, in addition to standard processing procedures meeting requirements set out by the EU and UK markets.

Furthermore, the recent signing of the UK-Vietnam Free Trade Agreement (UKVFTA) is anticipated to open a wealth of opportunities for pangasius exports to this demanding market.

At present, Vietnam remains on the list of countries to enjoy Generalised System of Preferences (GSP) to the UK. In line with this, local products exported to this market will enjoy GSP as exporters show the certificate of origins (C/O) form A.

3. New entity to invigorate Vietnam's stock markets

Prime Minister Nguyen Xuan Phuc last week approved to establish the Vietnam Stock Exchange (VNX), which will be located in Hanoi. According to the PM's decision, which will take effect from February 20, the exchange is being created as a one-member limited liability company, with the charter capital held entirely by the state.

The VNX has charter capital of VND3 trillion (\$130.43 million), and will be in charge of preparing strategic plans for equity market development, as well as monitoring securities listing, trading, and information disclosure.

The exchange will report and propose recommendations to the State Securities Commission to effectively respond to global market fluctuations, as well as ensure domestic market stability.

Furthermore, the major bourse will be in charge of managing the Hanoi Stock Exchange (HNX) and the Ho Chi Minh City Stock Exchange (HSX). Currently, the HSX concentrates on operating the common stock market and other securities products, while HNX takes control of derivatives and bond markets.

Especially, the VNX is envisaged to clear technical loopholes, especially after a series of technical securities incidents on the HSX. There are more than 1,660 stocks being publicly traded on the HSX, HNX, and the Unlisted Public Company Market (UPCoM).

The decision specifies companies with 100 per cent charter capital held by the VNX, including the HSX and HNX. It will decide the charter capital of both after obtaining approval from the Ministry of Finance.

This past year has witnessed a surge of exchange traded funds (ETFs) making in-roads in Vietnam,

such as MAFM VN30, SSIAM VNFIN LEAD, VFMVN Diamond, and VINACAPITAL VN100.

Local ETFs, albeit still in their infancy, have quickly gained trillions of VND. For example, VFMVN Diamond, which filed for an initial public offering in May 2020 at over VND100 billion (\$4.35 million), reached more than VND4 trillion (\$173.9 million) in its fund size, a nearly 40-fold increase.

Foreign private equity funds are also showing their eagerness towards the industry, with a string of new players such as Vietnam Growth Investment Fund – a joint venture of SSI, Thailand's C.P. Group, and the Development Bank of Japan.

Specifically, Vietnam has welcomed an increasing trend of inexperienced investors, or F0 investors, to join in a rush of market euphoria, with new opening accounts reaching record highs.

Given the ultra-low interest rate and social distancing keeping millions of people at home for a period of time, people have poured more money into stocks, hoping to hit the jackpot or at least build higher profits than through depositing money at banks.

“A boom on F0 investors may come from two reasons. Firstly, stock markets are becoming more attractive. Supporting policies like lowering interest rates and increasing money supply would result in a devaluation of currencies and commodities. In addition, a stagnant real estate market can mean an increase in stock investment,” Le Quang Minh, head of Research at Mirae Asset Securities, told VIR.

“Secondly, social distancing policies earlier in the year have led young people to find available trading

platforms on mobiles or laptops,” he said. “This way of brokerage has lower costs of trading and online interaction between brokers and investors. Communication is also more efficient than face-to-face meetings.”

According to the Japanese Chamber of Commerce and Industry in Vietnam (JCCI), the Vietnamese government should clarify the operational standards for insider trading restrictions related to the trading of publicly-listed company shares.

“Moreover, we also expect the relaxation of restrictions on foreign ownership limits in publicly-listed companies, and the revision of the stock price valuation method and divestment method of state-owned enterprise stocks,” noted a JCCI representative. “For example, we hope to see improvements in the fact that open bidding is stipulated as a principle and that conducting due diligence is not clearly stipulated in law.”

Meanwhile, non-nationals have called for the implementation of non-voting depository receipts (NVDRs) to encourage local companies to attract more overseas funds.

Following the footsteps of NVDRs in Thailand, they can stimulate trading activities and eliminate barriers on foreign caps.

In other words, when investors fund NVDRs, they would receive the same financial benefits including dividends, right issues, and warrants as ordinary shareholders, but no voting rights. If overseas investors own NVDRs, they will not amount to an increase in the foreign ownership limit of the company, which will not abuse voting rights.

4. Financial sector continues to carry out policies to support enterprises

As for expenditure, it is estimated that total spending will be at about VND5.4 quadrillion; the average state budget deficit will be about 3.8 percent of GDP; public debt by 2023 will be about 48.1 percent of GDP.

The Ministry of Finance also acknowledged that the severe impact of the Covid-19 pandemic had created challenges to the mid-term State budget plan in

three years from 2021 to 2023 in terms of ensuring the schedule for wage reform, adjusting standards of social welfare, and the poverty line.

Therefore, to complete the State budget revenue and expenditure tasks, especially in 2021, the financial sector will consider continuing to implement the policies of tax and fee exemption, reduction, and extension to support enterprises to overcome

difficulties caused by the Covid-19 pandemic. It will strengthen collection management, prevent revenue losses, strictly manage the expenses from the stage of estimation to the implementation, thoroughly save expenditures that are not actually urgent, and minimize spending for organizing conferences and seminars, domestic and overseas business trips, and

the purchase of luxury equipment. It will also review obstacles to accelerate the disbursement of public investment capital, especially key national projects, with great pervasiveness, connectivity, and motivation for interregional socio-economic development.

5. Vietnam to be among top growth performers again in 2021: HSBC

Vietnam posted the fastest growth in Asia in 2020 and will once again be among the most outstanding performers in the region this year, according to the Hong Kong Shanghai Banking Corporation (HSBC).

In its latest “Asia Economics Quarterly” report, HSBC said despite unprecedented challenges, Vietnam has strongly overcome the pandemic crisis. With a population of over 95 million, the country has managed to flatten the COVID-19 curve much sooner and keep the infection tally at around 1,400 thanks to swift and effective prevention efforts by State agencies.

Though the 2020 GDP growth of 2.91 percent was the lowest in the recent decade, it was still assessed as a big success and among the world's highest considering the complicated development of the COVID-19 pandemic.

Inflation decelerated from 3.9 percent in the first three quarters to 1.5 percent in November compared to the same period of 2019 thanks to normalised good prices and declined oil prices.

HSBC researchers expressed their belief that Vietnam will benefit from tech-led recovery,

sustained FDI inflow, and many free trade agreements signed.

However, they still slightly revised the country's 2021 growth forecast down to 7.6 percent, from the previous estimate of 8.1 percent, due to a prolonged recovery in the tourism industry.

They held that although the country is now ready to outpace other countries in the region in 2021, there remain risks to its economic recovery.

Many obstacles still exist in the tourism sector, HSBC said, noting though the worst may have passed after the second quarter, tourism-related services like accommodation and transportation are still in a bleak situation as a result of cross-border travel restrictions.

The second wave of COVID-19 infections in late July was swiftly brought under control, but it could make the Government more prudent in reopening borders and attracting international visitors. A meaningful tourism recovery is unlikely in the time ahead until effective vaccines are available and there is a global integrated approach to international tourism, according to HSBC.

6. Long-term game for telecoms growth

It has been a difficult year for the economy as a whole due to the global health crisis. COVID-19 has also prompted all businesses to make changes from traditional businesses into new ones, including member companies of the Vietnam Internet Association (VIA).

Domestic and foreign-invested enterprises in Vietnam have looked into new business models to

stand firm and develop in 2020. It is no doubt that most enterprises turned towards “optimise” mode, controlling costs and managing the risks caused by the pandemic.

VIA members are also in the same situation, trying to maintain the business, keep customers, and prepare for recovery. They are also trying to use

digital and online tools for optimising and adapting business in the new normal landscape.

Especially, the Vietnamese government has been accelerating digital transformation in state agencies, as well as the business community to adapt to the new situations. Many VIA members are taking important roles in this journey, especially the big telecom groups such as Viettel, VNPT, MobiFone, FPT, and others.

Elsewhere, some other members are offering flexibility, offering useful online applications for the business community to adapt to the new normal.

The Vietnamese telecoms market has witnessed strong growth in recent years, and is expected to have continued growth over the forecast period to 2025 on the back of increasing urban population with rising adoption of the mobile phones that supports 3G, 4G, and 5G services across the country. The sector is further expected to have strong growth over the forecast period with rising adoption of the Internet of Things that connects with wired and wireless broadband.

All of the major 2G/3G platforms are expected to be shut by the end of 2025, and by 2029 the majority of mobile connections will be on 5G. It is expected that hundreds of millions of fixed broadband connections will exist by 2025, compared to over tens of millions of wireline voice connections, ensuring that mobile will be the principal form of connection.

Looking towards 2021, when 5G is expected to be commercialised nationwide, our VIA members are preparing to tap into new opportunities.

5G is a long-term game, and challenges are still there for big telcos that want to have commercialise 5G: how to balance between large investments and unpredictable revenue streams. We think 5G providers will make it step-by-step.

We think that 5G will bring about a number of opportunities to our member companies, as it can create a new ecosystem, which is good for not only the 5G telcos, but also to many other companies which can rely on 5G to develop creative applications. For some smaller groups, 5G could be a threat to their business if they just rely on pure fixed telecom services.

Regarding the possible scenarios of the local market in the context that this coronavirus is still for the long haul, we think in Vietnam, current conditions could extend until the end of 2021. That means jobless rates could be an issue for some sectors, such as travel, tourism, and related business, and this could affect telecoms and the internet business.

We think our members are strong and have good strategies to overcome this difficult situation. We think that they could be a success in survival strategies already, which focus on resolving the immediate challenges caused by COVID-19, and being resilient with cash-management challenges.

Now it is time to think about turning towards recovery strategy, preparing to scale up business, and making plans to reform.

7. MoF lists 17 market makers for debt market

The Ministry of Finance (MoF) has released a list of 17 commercial banks and securities firms subject to join the Government bonds market this year, an increase of four new entities compared to the 2020 list.

Under the Decision No.2290/QD-BTC, set to become effect from January 1, 2021 – December 31, 2021, those in the list will act as market makers of Government debt instrument.

Market makers are required to submit reports to the MoF for evaluation between November 1 and 10, so that the latter will evaluate the condition to maintain market maker status. Unqualified market makers will receive notice with reasons on why they are excluded from the list.

As market makers, entities have the right to participate in the issuance and repurchase of Government bonds and notes via bidding, as well as

playing as the main guarantee organization for the issuance of government bonds.

Market makers will also participate in discussion for drafting new policies for the bond market.

This year's list includes four securities firms of BIDV Securities Company, Vietcombank Securities Company, Ho Chi Minh Securities Corporation, Saigon – Hanoi Securities Company, and 13 banks with major names, such as BIDV, Vietinbank, Agribank and Military Bank.

Vietnam's Government bond segment grew 9.1% quarter-on-quarter at the end of September 2020 to reach US\$54.7 billion - accounting for 83.8% of the country's total bond stock, a report from the ADB noted.

This directly contributed to a quarterly growth of 11.6% of the local currency bond market at the end of last September – the fastest quarterly growth rate in emerging East Asia – to reach \$65.3 billion.

Corporate News

8. VIC: VinShop breathes fresh air into traditional retail market

↑ 0.46%

As many as 40,000 mom-and-pop stores nationwide have been digitalised thanks to the VinShop mobile app developed by Vietnam's biggest conglomerate Vingroup.

The Southeast Asian country is currently home to 1.4 million mom-and-pop shops and over 9,000 traditional markets, which serve 85 percent of the consumption demand of local people. However, their out-of-date business operation could affect consumers' shopping experience as well as the market development.

VinShop, the first in Vietnam to employ the Business to Business to Consumer (B2B2C) model, addresses inefficiencies in the supply chain by offering thousands of traditional store owners a digital platform where they can order fast-moving consumer goods from suppliers and vendors.

Shop-keepers can use the app to manage their orders or make cashless payment through VinID Pay e-wallet. In the other words, VinShop helps turn brick-and-mortar shops into mini-markets without paying any operational cost.

Vingroup says its app will raise the income of small shops by 10 million VND (432 USD) a month on average by making their operations more efficient and cutting costs.

VinShop began building its retail network in July 2019, aiming to connect manufacturers and shops through the app, which includes purchase and distribution functions. If its business strategies go on the right track, hundreds of thousands of shops will go digitalised in 2021.

This solution is expected to improve the efficiency of the entire supply chain, and help overcome current weaknesses in the distribution of products from manufacturers to grocery stores, VinGroup said.

"VinShop benefits the whole market, from producers, retailers and consumers who have opportunities to buy high-quality products at low costs", according to retail specialist Vu Vinh Phu.

9. HDB: HDBank first in Việt Nam to offer letters of credit on blockchain

↑ 3.64%

This marks a new milestone in HDBank's journey to become a 'Happy digital bank' by providing customers with the most advanced L/C transaction method, blockchain technology, on a trial basis.

Century Synthetic Fiber Corporation, a leading fibre importer, and Tainan Spinning Co. Ltd, a leading Taiwanese yarn manufacturer and exporter, along with CTBC, the L/C advising bank in Taiwan, are the first participants in HDBank's L/C transactions on the blockchain platform.

Compared with the traditional method, blockchain-based L/C transactions offer higher security, reduce the time taken to process the transaction

(only takes about two hours), minimise paperwork and errors, and save time.

Besides, the permanent storage also helps comparison, statistics, and management historical transaction of partners and customers and enables the parties to update the implementation status.

Thanks to the state-of-the-art blockchain technology and HDBank's co-operation with many large banks and corporations around the world, the L/Cs provide an absolutely guarantee to the receivers and create seamless transactions and an instant flow of precise and trusted data across the world's trade routes and fragmented eco-systems.

HDBank is one of the few Vietnamese banks that can offer confirmation for L/Cs issued by foreign banks.

It is also the first bank in Việt Nam to become a member of the TradeAssets Trade Finance E-marketplace and a pioneer in providing international money transfer query services via

Swift GPI in major currencies such as USD, GBP, EUR, CHF, AUD, CAD, JPY, THB, HKD, and SGD.

It has successfully put into operation the Treasury - FIS Front Arena system to seamlessly meet the requirements of handling business transactions and managing currency trading risks.

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