



VIETNAM DAILY NEWS

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Market Analysis

1. Market finishes higher after a week off

Viet Nam's stock market surged during yesterday's trade. The market reopened after the Tet holiday which started last Wednesday.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) rose 3.66 per cent, equivalent to 40.85 points, to end the first trading day of the year of the buffalo at 1,155.78 points. The gain ends its bearish trend that occurred in the last two trading days before the holiday.

At the end of the session, 425 stocks climbed, while just 43 stocks fell. Twenty-eight stocks ended flat.

A strong increase in the VN30-Index contributed to the positive trend of the market. The large-cap tracker VN30-Index finished the trading day at 1,174.91 points, up more than 4 per cent, equivalent to 45.42 points.

All of the 30 large-cap stocks increased. Three stocks in the VN30 basket, which hit the maximum daily gain of 7 per cent, were PetroVietnam Gas JSC (GAS), VPBank (VPB) and Vincom Retail JSC (VRE).

Many big stocks across all sectors also posted great performance yesterday.

Stocks from utilities, banking, production and construction sectors influenced the market trend yesterday. Top five influencing stocks were GAS, up 6.89 per cent, Techcombank (TCB), up 6.67 per cent, Vietnam Rubber Group JSC (GVR), up 6.86 per cent, VPBank (VPB), up 6.88 per cent, and Vinhomes JSC (VHM), up 4.43 per cent.

Before the reopening day, many analysts were optimistic about the market. Nguyen Duy Dinh, a senior customer care specialist at MB Securities Co., said that cycles of many years showed that the market often gains points in the two weeks after the Tet holiday.

In fact, in the last 20 years, the possibility of gaining points of the VN-Index in the first five days after the holiday is around 65 per cent, higher than the possibility of losing points.

In the session, over 568 million shares were traded in the southern market, worth nearly VND14 trillion.

On the Ha Noi Stock Exchange (HXN), the HXN-Index posted an increase of 2.52 per cent to 230.57 points. The HNX30-Index also rose 4.1 per cent to 350.72 points.

On the northern bourse, investors poured in more than VND1.5 trillion, equivalent to more than 86.8 million shares.

In general, the market's liquidity was not high, with a total trading volume of over 700 million shares, worth VND16.1 trillion.

Meanwhile, foreign investors were net buyers on the southern bourse, pouring more than VND704.8 billion into the market. On the contrary, they net sold nearly VND 2 billion of shares on the HXN.

Macro & Policies

2. Vietnam automobile industry on recovery path despite Covid-19

In spite of severe impacts from the Covid-19 pandemic, Vietnam's automobile industry is set to grow by 16.3% year-on-year this year in terms of car sales number, according to a study from the SSI Securities Corporation, citing high demand from the domestic market for cars.

“Since the outbreak of the pandemic last year, demand for cars were heavily affected as people opted for staying at home,” noted the SSI.

However, once the situation is put under control, customers would quickly turn to cars to take advantage of sales promotion programs being offered by car dealership.

“The majority of customers looking to buy cars are of the middle to high income groups, so they are less affected by the pandemic compared to other lower income groups,” said the SSI.

According to the SSI, Vietnam's income per capita is on the rise and set to grow at an average of 8-10% in the next decade.

“Compared to regional countries, the current income per capita is fast approaching to a point of bursting demand for cars,” asserted the SSI, adding cars would soon move from a luxury product with a passenger vehicle density of 34 per 1,000 to a more ordinary one with a density level comparable to countries in the region.

Meanwhile, car production capacity domestically is increasing rapidly to meet customers demand, a key step to lower car prices, noted the SSI.

With more cars manufacturing and assembling plants scheduled to complete in the 2022-23 period, the SSI expects a heating up car markets with steep discount policies to drive up domestic car demands.

Along with existing Vietnam's support policies for the automobile industry, the National Assembly is currently discussing a possibility of reduce the excise tax rate for locally made cars, in which the specific reduced rate would be in line with the localization rate of each car, aiming to boost sales of affordable car models.

“The move, however, is unlikely at the current Covid-19 crisis, given the contribution of excise tax for cars making up 4.4% of state budget revenue,” said the SSI.

Domestic car market large enough for manufacturers to move in

The SSI also pointed to a key factor that the domestic car market is big enough for car manufacturers to shift from importing cars to assembling/manufacturing domestically.

At present, six major car manufacturers of Thaco, Huyndai, Toyota, Mitsubishi, Ford and Honda account for 90% of the market share in Vietnam with a combined production capacity of 30,000-60,000 units per year, exceeding the break-even point for domestically-produce cars of 30,000-40,000 cars per year for an assembling plant, or 10,000-20,000 units for each car model.

Over the past two years, four global car manufactures have announced their plans of investing in large-scale assembling/producing car plants in Vietnam.

“More assembling car plants in Vietnam would boost demand for auto parts and eventually the development of the car supporting industries,” stated the SSI, saying this would mean higher localization rate.

3. Investors ramp up investment activities after Tet

Strong volatile stock and gold markets before Tet holiday, the country's largest festive period, have

not prevented investors from ramping up investment activities when the week-long break ends.

At the close on February 11, gold prices quoted by Kitco news declined by US\$20 against the previous day to US\$1,823 per ounce. This resulted in a 2.6% decrease of the gold prices, or US\$50, for the whole week.

Such decrease in price was due to lower demand for gold as many Asian countries were preparing for the Lunar New Year holiday.

While the gold prices on the world market was on the declining trend, the domestic prices remained high as the God of Wealth Day (February 21), the day when people would rush to buy gold expecting this would bring good fortune to their businesses and families in a new year, is getting near.

Selling prices of gold bar from state-owned Saigon Jewelry Company (SJC), the country's largest gold and gold jewelry production and distribution company, stayed high at VND57.35 million (US\$2,477) per tael, an increase of VND100,000 (US\$4.32) against the previous day. As a result, SJC gold prices in Vietnam were VND6.15 million (US\$265.68) higher than the world prices, the highest gap since mid 2020.

Experts suggested an upward trend of the domestic gold prices is due to the high demand for gold from locals amid the approaching God of Wealth Day.

In the past few years, gold consumption demand in Vietnam remained high from year-end to post-Tet period, as many Vietnamese people have a tradition of buying gold for luck.

"I bought four taels of gold two weeks before Tet and would sell them on the God of Wealth Day for profit," said Nguyen Long, an individual gold investor from Hanoi. Meanwhile, a gold seller at a store in Tran Nhan Tong street (Hanoi) said the majority of customers were buying gold before Tet.

Low interest-rate environment to boost stock market

Before Tet, many banks decided to lower lending rates by 0.1-0.4 percentage points. Vietcombank posted its highest rates of 5.5% per annum for loans of 12 months, 3.8% for six to nine-month period, and 2.9% for one-month loan.

This was Vietcombank's first interest rates cut this year, but the sixth since early 2020. Compared to late 2020, the lender's interest rates were down by 0.1-0.15 percentage points.

Other banks also reduced their respective interest rates up to 0.4 percentage points, including ACB, VietABank, Sacombank, SHB, ABBank, and PVCbank.

Lower interest rates before Tet was due to abundant liquidity in the banking sector since late 2020. Despite the credit growth has been on the recovery trend and reached an estimated of 11-12% in 2020, this remained lower compared to the capital mobilization rate of banks, resulting in high amount of cash in the system.

Experts have noted that the interest rates could be stabilized or slightly reduced in the first quarter, as the economic recovery process was still hindered by serious Covid-19 situation.

In a low-interest rate environment, investors would turn to other investment channels, especially the stock market.

Statistics from the Vietnam Securities Depository (VSD) revealed the stock market recorded an all-time high of 86,269 new securities accounts, up 36.4% month-on-month.

The benchmark Vn-Index rose over 31 points against the last trading session before Tet, or 2.93%, to 1,114.93.

4. More trade remedy probes predicted for Vietnamese enterprises this year

The Ministry of Industry and Trade (MoIT) is set to bolster action while Vietnamese enterprises have

been recommended to gear up preparations as more trade remedy investigations are expected in 2021.

Vietnam's participation in 14 free trade agreements (FTAs) has helped fuel its trading activities.

MoIT data shows that export turnover boomed from 15 billion USD in 2001 to nearly 100 billion USD in 2011 and then 281.5 billion USD in 2020. The figure is expected to rise 4-5 percent this year.

Sharing the same upward trend in exports, however, is the number of trade remedy cases instigated against Vietnamese goods.

Vietnamese exports, including major foreign currency earners like shrimp, tra fish, steel, and wooden products, have been subject to nearly 200 trade remedy cases so far.

The country has successfully dealt with about 43 percent of cases, thus ensuring the continued export of basa fish and shrimp to major markets like the US and the EU at zero percent or very low tariffs.

It has also launched 19 trade remedy probes itself into imported goods, including steel, chemicals, plastics, fertiliser, monosodium glutamate (MSG), and sugar.

Chu Thang Trung, Deputy Director of the MoIT's Trade Remedies Authority of Vietnam (TRAV), said trade remedies are appropriate policy tools that the WTO recognises and permits its members to use in international trade.

WTO figures show that more than 4,500 trade remedies have been applied by members since the organisation was established in 1995. Such measures are clearly not an abnormal phenomenon, Trung said.

Vietnam's membership of many FTAs has sped up the removal of tariff barriers on its exports, giving its goods a greater degree of competitiveness in import markets. It has also put more pressure on producers in importing countries, forcing them to use legal trade policy tools to protect their interests, including trade remedies, the official added.

TRAV Director Le Trieu Dung said trade remedies are increasingly common and are legal measures permitted by the WTO to ensure fair competition between domestically-made goods and imported equivalents.

He pointed out that due to some countries' trade protection policies and lingering difficulties in the global economy in 2021, the number of trade remedy investigations targeting both Vietnamese exports and imports into the country is predicted to remain high for the foreseeable future.

This will expose domestic manufacturers to new challenges, especially as key FTAs like the EU-Vietnam FTA (EVFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP) will present fierce competition.

Therefore, he added, TRAV has recommended businesses equip themselves with knowledge on trade remedy regulations, particularly those of Vietnam and its export markets, while gearing up resources to cope with any trade remedies.

Pointing out certain shortcomings, experts have said the capacity of local businesses in regard to trade remedies remains modest, while there are ongoing problems in legal regulations and coordination among related agencies.

MoIT has developed a plan on improving the capacity of Vietnamese enterprises to handle trade defence measures now the country is party to many new-generation FTAs.

Experts also held, however, that enterprises themselves need to change their thinking and turn competitive pressure into momentum for reform, development, and product improvement.

Nguyen Thao Hien, Deputy Director of the MoIT's European - American Market Department, said that to help reduce trade remedy cases, businesses should promote the manufacturing of goods for which domestic material supplies are at hand, as well as those with high added value and rich growth potential amid the pandemic, such as agricultural products, food, and medical equipment.

They must ensure strict quality control and update processing technology so as to raise the value of their products, she added.

Trade remedy investigations can be initiated by one or just a few foreign companies but they pose risks for entire sectors, analysts said, suggesting that

Vietnamese firms stay updated with information and actively work with their business associations and State agencies on an effective response.

TRAV Director Dung said that this year, apart from plans on enhancing trade remedy-related capacity and coordination, the authority will also implement plans on building and operating an early warning system for trade remedies and overhaul rules of origin.

5. Logistics sector to step up digital transformation

Logistics, considered a backbone of Vietnam's economy, is among eight sectors prioritised by the national programme for digital transformation until 2025.

difficulties in choosing suitable technological applications, a sense of distrust in technology, and a fear of change are hindering the sector from pressing ahead with digital transformation.

According to the Vietnam Logistics Business Association (VLA), the sector has grown 14-16 percent annually over recent years. It now gathers together some 3,000 domestic firms and 30 others offering transnational services. Of those, 89 percent are domestic businesses and 10 percent are joint ventures while the number of foreign-funded companies represents just 1 percent of the total.

Tran Thanh Hai, Deputy Director of the Agency of Foreign Trade at the Ministry of Industry and Trade, said transformation in this core sector would trigger a similar process in other parts of the supply chain.

The VLA said the cost of logistics in Vietnam as a proportion of GDP is 18 percent, compared to 9-14 percent in developed countries. The high cost is attributable to limited sea port infrastructure and weak cost reduction efforts. Together with fierce competition, the digital economic boom, and pressure from the COVID-19 pandemic, these have made digitisation in the sector a must.

Experts have said that smart logistics involve master plans and strategies with the involvement of cloud computing technology, adding that it will be conducive to improving customer services, information flows, and automation.

Vietnamese logistics companies offer between 2 and 17 services, mostly in transport, warehousing, and fast delivery. About half apply technology in their operations.

To reduce logistics costs, Nguyen Hoang Long, Deputy General Director of the Viettel Post Joint Stock Corporation, said the engagement of both the Government and enterprises is needed. While the Government should offer planning and assistance for the building of national logistics centres, as well as preferential land and port taxes, enterprises need to invest in better management and boosting connectivity within the sector, he said.

Nguyen Tuong, VLA Deputy General Secretary, said investment shortages from the very beginning,

Administration reform and capital support are also necessary for logistics firms undertaking digital transformation, insiders have said.

6. Milk consumption to grow by 7% this year: securities brokerage

They said it is based on a baseline scenario that assumes the pandemic would be controlled by mid-year and there would be no more social distancing.

But they admitted demand among low-income consumers could be impacted given the fact that COVID-19 has hurt them, and companies like Vinamilk and Vinasoys have seen downtrading in the first nine months of last year.

They also forecast the prices of existing SKUs (stock keeping unit) would not increase this year.

In contrast, premiumisation would continue as middle- and high-income groups are less impacted, and are more open to consuming higher quality dairy products, they said.

“We assume dairy raw material prices will increase by 4 per cent in 2021. Also, higher oil prices in 2021 are likely to affect packaging and shipping costs.”

The study also found that investors are paying more attention to environmental, social and governance criteria when investing in dairy companies.

As a result, the sector has begun to diversify its products, including shifting to plant-based beverages.

According to market research company Euromonitor, the dairy industry was worth VND135 trillion (US\$5.84 billion) last year, an increase of 8.3 per cent from 2019, thanks to the rapid growth in the yogurt and fresh milk segments.

Currently, modern distribution channels only account for 10-15 per cent of dairy sales, but analysts expect it to outpace traditional channels.

Recognising the trend, companies are now focusing on the former, they said.

But according to SSI, it would mean lower profit margins due to the fierce competition between a multiplicity of brands.

The dairy industry is expected to see more M&A deals this year after a number of them involving leading companies took place last year, such as Vinamilk's acquisition of a controlling stake in Moc Chau Milk and the acquisition of IDP by investment consultant Blue Point and asset management firm VietCapital.

Both acquired companies saw profits skyrocket after the deal.

Moc Chau's net profit grew by 68 percent year-on-year in the first nine months of 2020 and IDP's was up nearly 34 per cent.

There is fierce competition in the market with the appearance of new players, the SSI report said, adding that Masan Group has recently launched new dairy products, B'fast cereal milk, while Vitadairy has been expanding rapidly in the powder milk segment.

7. Ministry imposes anti-dumping tax on sugar from Thailand

The Ministry of Trade and Industry (MoIT) has decided to levy a temporary anti-dumping tax of 33.88 percent on sugar imported from Thailand.

This tax rate will be regularly reviewed to ensure a fair competition environment if there is a strong shift from importing refined and white sugar to importing raw sugar in order to avoid anti-dumping tax at a higher rate.

The decision comes after the MoIT launched an investigation in September 2020 to see if sugar imported from Thailand had received subsidies from the government.

It later found that Thai businesses shipped nearly 1.3 million tonnes of subsidized sugar to Vietnam

last year, an increase of 330.4 percent against the previous year.

The sharp increase in import volume caused serious damage to Vietnam's sugar industry, forcing plenty of sugar processing mills to halt operation and lay off workers. According to the ministry, as many as 3,300 workers have lost their jobs and more than 93,000 farmers have been affected.

Therefore, in the coming time, to make the final conclusion about the case, the MoIT will continue to work with relevant parties, verify data and hold a public consultation session. The investigation is expected to end in the second quarter of 2021.

Corporate News

8. HAP: Hapaco eyes investment in 4-trillion-VND wind power project

↑ 6.98%

The Hapaco Group JSC is planning to invest 4 trillion VND (174.1 million USD) in a wind power project in the Central Highlands province of Gia Lai.

The project is among those to be submitted for approval at the group's annual shareholders' meeting, which is slated for March 14.

The meeting will also discuss an investment in building a 23-ha care centre for the elderly in the northern city of Hai Phong's Thuy Nguyen district

as well as Hapaco's new development orientations in social housing and guest worker services.

Hapaco (stock code HAP) was one of the first listed on Vietnam's stock market. As of December 31 last year, its total asset exceeded more than 808 billion VND.

Last year, the group reeled in 335 billion VND in revenue, an annual decrease of 11 percent. Its after-tax profit, meanwhile, hit 34.3 billion VND, up 69 percent on-year.

9. GEG: Board resolution on the establishment of subsidiary

↑ 4.02%

According to the Board resolution dated February 04, 2021, the Board of Directors of Gia Lai Electricity Joint Stock Company (hereinafter GEC) approved the policy on establishing a subsidiary to develop projects, as follows:

- Name of new company: Tan Thanh Renewable Power Joint Stock Company
- Short name: TTR

- Address: C32, Road 3, My Thanh Hung, ward 6, My Tho city, Tien Giang province

- Charter capital: VND200,000,000,000.

- Capital contribution ratio by GEC: VND199,800,000,000 (99.9% of TTR's charter capital).



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