VIETNAM DAILY NEWS

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JSI
JAPAN SECURITIES INC.

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Market Analysis

1. Shares may extend gains during pre-Tet period

The Vietnamese stock market may continue to advance during the two last trading days before the Tet (Lunar New Year) holiday but cash poured into the market is believed to decline and there might be a differentiation between flows.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 1.32 per cent to end Friday at 1,126.91 points.

It had climbed 6.65 per cent last week.

An average of 598.7 million shares was traded on the southern exchange during each session last week, worth VND13.5 trillion (US$590.2 million).

"The market is expected to continue its advance in the next two trading days. After overcoming the resistance zone around 1115-1118 points, VN-Index is very likely to head towards a strong resistance zone around 1180-1200 points in the short-run," said Bao Viet Securities Co.

"The capital flow into the markets is expected to weaken slightly as the investors usually refrain from trading when Lunar New Year Holidays are approaching.

"As a result, there might be a divergence of capital flow next week," it said.

The company said investors should maintain equity exposure at around 50 per cent to 70 per cent of total portfolio value.

"Investors holding a high proportion of cash may considerably increase the size of the positions when the market enters correction phases.

"For the investors with large equity proportions and are using margin, they would consider utilising the days the market rises sharply to reduce the equity exposure to a safer targeted level of exposure," it said.

According to MB Securities Joint Stock Company (MBS), the stock market grew last week following the same trend with other markets around the world.

"Domestic investors still traded positively and there were few signs of cautiousness even with Lunar New Year approaching. Market breadth was quite positive in most stock groups, showing that the market's uptrend will continue in the coming sessions" said MBS.

"The recent recovery momentum showed that the market was claiming what has been lost since the end of January when the market failed to surpass 1,200 points.

"Although it is probably likely that the market would go forward, it will face challenges at 1,170 points, which may be an opportunity for the late money flow," the company said.

It was followed by banking group, with gainers in the industry being Bank for Investment and Development of Viet Nam (BID), up 4.8 per cent, Military Bank (MBB), gaining 5.5 per cent, Asia Commercial Bank (ACB), rising by 6.3 per cent, Vietcombank (VCB) increasing by 7.5 per cent, Saigon-Hanoi Bank (SHB), increasing by 10.3 per cent, Techcombank (TCB), up 13.4 per cent, Vietinbank (CTG), going up 17.4 per cent and VPbank (VPB), gaining 23.3 per cent.

Oil and gas group also performed well with notable stocks such as Viet Nam National Petroleum Group (PLX), rising 6.5 per cent, PetroVietnam Technical Services Corporation (PVS), rising 10.8 per cent, PetroVietnam Drilling and Well Services Co (PVD), up 12.7 per cent and Binh Son Refining and Petrochemical Company (BSR) up 14.6 per cent.

Macro & Policies

2. Ministry to boost trade defense measures in line with international commitments

As trade protectionism is forecast to grow further around the world in 2021, the Ministry of Industry and Trade (MoIT) is set to step up trade defense measures in accordance with international law and commitments.

Le Trieu Dung, Director of the MoIT's Trade Remedies Authority of Vietnam (TRAV), said the ministry will accelerate current trade remedy probes into imports so as to take timely action to protect domestic manufacturers.

An early warning system on trade remedy risks for certain exports will be completed this year so that enterprises can gear themselves up early.

Additionally, MoIT will coordinate with relevant agencies to boost action against origin fraud and illegal transhipments aimed at evading trade remedies, while working to improve the trade remedy-related capacity of domestic businesses and State agencies, Dung said.

Since becoming a member of the WTO and free trade agreements (FTAs), Vietnam has opened its market and slashed import tariffs on a large number of goods, exposing its businesses to strong competition from imports.

Trade defense measures, which are policy tools permitted by the WTO, he said, have an important role to play in ensuring effective economic integration and minimising its adverse impact on businesses.

Between 2016 and 2020, MoIT launched 13 trade remedy investigations into imported commodities such as DAP fertiliser, monosodium glutamate (MSG), steel, and BOPP film.

Remedies applied so far have proved effective in addressing losses caused by surges of imports and protecting domestic producers, according to Dung.

He pointed out that State agencies and some enterprises have worked to promote their trade remedy-related capacity, but many shortcomings remain, so a new policy and legal framework that matches provisions in the FTAs Vietnam has joined is needed.

The issue of trade defense is stipulated in Chapter 5 of the Law on Foreign Trade Management, but one chapter cannot provide all detailed regulations. This has led to certain limits in the investigation and implementation of trade defense measures.

New issues frequently emerge in the field, which also require that relevant State agencies and businesses have in-depth knowledge about law and finance. The complex developments of COVID-19 last year also hampered support to enterprises, he acknowledged.

Meanwhile, trade remedy probes targeting Vietnamese exports in foreign markets also increased considerably in 2020 and are projected to rise even higher this year.

Given this, he said, MoIT has recommended local businesses equip themselves with knowledge on trade remedy regulations, particularly those of Vietnam and export markets, while readying resources to cope with possible foreign trade remedies.

They should also keep a close watch on the import of related products so as to detect any signs of dumping or subsidies in a timely manner and prevent losses for domestic manufacturers.

3. Industrial park developers promote sustainability to attract "eagles"

This shows investors are increasingly becoming vocal about their interest in partnering with companies that take sustainability seriously.

It is these industry leaders who are driving a movement as they look for a partner that matches their same sustainable outlook and goals.

As a result, local businesses in Viet Nam, and industrial park developers in particular, are transforming their business model as well as adapting to international standards to attract these "eagles". Although it can be tricky for industrial parks to balance profitability, concern for environment, and social commitments, there are still multiple ways they can do to stay sustainable.

In 2020, the "Eco-industrial Park Intervention in Viet Nam – Perspective from the Global Eco-Industrial Parks Programme" project was launched in HCM City by the Ministry of Planning and Investment (MPI) and the United Nations Industrial Development Organisation (UNIDO). At the workshop, five industrial parks across the country were chosen to implement eco-industrial park initiatives. The project will be carried out in a period of three years with an aim to establish a more sustainable industrial park model and pave the way to the replication of this model across Viet Nam in the future.

One of the five pilot industrial parks is DEEP C Hai Phong I (also known as Dinh Vu Industrial Zone), the first footprint of DEEP C group in Viet Nam. The industrial park cluster has gained a reputation as the only European-managed industrial park in Viet Nam, with compatible European quality in all business aspects, from general infrastructures, utilities supply to park operations. Located in Hai Phong City and Quang Ninh Province, DEEP C Industrial Zones is the northern representative of the project.

Long before the recent selection, DEEP C implemented their environmental sustainability strategy on four pillars: power, water, waste, and green zone. The main goal is taking the complexity out of investing in Viet Nam while achieving common sustainability goals with investors. Overall, the strategy is to drive economic growth in a sustainable manner for DEEP C, investors and local community.

Depending on the nature of each industrial park, the developers can adopt different practices to stay sustainable. For DEEP C, they are the first industrial park to make a road from recycled plastics and a smart electricity grid possible in Viet Nam. The recycled plastics road currently lies in DEEP C Hai Phong II Industrial Park in Hai Phong. More asphalt roads using recycled plastic will be stretched out all over DEEP C Industrial Zones as an innovative solution to address plastics waste and advance circular economy in Viet Nam.

The group is now working on the generation of renewable energy from rooftop solar panel and wind turbine. By 2030, it aims to supply 50 per cent of energy demand within its industrial park. Sustainability is also present in reusing of treated wastewater for various industrial purposes such as cooling tower of tenants, preserving mangrove forest along our port area as a natural buffering.

Construction work comply with strict standards on safety and environment before, during and after construction such as innovation (road made from plastics), sustainable sourcing of materials (containers), sustainable sites, energy efficiency (optimising solar and wind energy), indoor environment quality and water efficiency. In the years to come, DEEP C's ready-built factories will be designed in the most nature-friendly way possible with LEED standards.

"We believe that eco-industrial park is the future of the industry and are happy to raise the standards for developing infrastructures inside industrial park and spread the benefits of eco manufacturing," said Koen Soenens, General Sales and Marketing Director at DEEP C Industrial Zones.

"Sure it's good for the environment, but it's also good for the image, the quality of working and living, and it's cost-saving for the maintenance and operations."

DEEP C Industrial Zones launched its base in Hai Phong City, Viet Nam in 1997 with the development project of Dinh Vu Industrial Zone (nowadays known as DEEP C Hai Phong I), a collaboration between Belgian group Rent-A-Port and Hai Phong People's Committee.

Over the past 23 years, DEEP C has evolved to be one of the largest industrial park developers in Viet Nam with five sub-zones covering 3,400 ha of industrial land, forming an industrial cluster in Ha Phong City and Quang Ninh Province – the most dynamic growing region in North Viet Nam. To date, DEEP C Industrial Zones are home to 120+ projects with a total investment of US$4 billion, backed by multinational companies like Bridgestone, Idemitsu, Knauf, Chevron, tesa.

4. Export of farming products down due to container shortage

According to the General Department of Customs, in the first half of January, Viet Nam's coffee exports decreased by 46 per cent in volume and nearly 43 per cent in value to 52,000 tonnes and US$95 million, respectively, compared to the same period of 2020.

Rice exports also fell sharply by 44 per cent in volume to 131,000 tonnes and 38 per cent in value to $72 million.

Fruit and vegetable exports reached $130 million, 33 per cent lower than the same period of last year.

The general department said some other farming products also saw a strong reduction in export value during that period, including tea (22 per cent to $6.6 million), pepper (10 per cent to $21 million) and seafood (14 per cent to $278 million).

The reduction in exports of those key agricultural products was mainly due to a severe shortage of empty containers. Therefore, agricultural products exported in January had very high shipping costs.

According to the Viet Nam Association of Seafood Exporters and Producers (VASEP), seafood businesses said that in January, the freight to Europe continued to increase strongly by between 145-276 per cent, depending on the port.

Specifically, this freight at the main ports surged by 145 per cent to $7,000 per container in January 2021 from $2,850 in December 2020. Some firms increased the freight from $2,800 per container to $10,550.

The same situation happened at US ports. The freight in January increased by 14 per cent to $4,000 per container for shipping goods to the West coast and by 14-19 per cent to $5,600-5,850 per container to the East coast. It also increased from $50-100 per container to Japan's ports.

Do Ha Nam, vice chairman of the Viet Nam Cocoa and Coffee Association, said the shortage of empty containers to transport coffee has led to stagnant exports at many countries and lower supply in consumption markets.

The Viet Nam Pepper Association's survey in January 2021 for some pepper agents and cooperatives in Dong Nai Province showed that pepper inventory is still large, excluding the volume that has been sold but not yet shipped. That was due to high freight and the shortage of empty containers.

According to domestic and international logistics experts, the serious shortage of empty containers will last at least until the end of the first quarter this year, reported the Nong thon Ngay Nay (Countryside Today) newspaper.

In the long term, Viet Nam should have a strategy to reduce dependence on international shipping companies as present, including a solution encouraging investment in the development of container shipping fleets and plants producing containers, they said.

One of the most important solutions at present is to free up containers of imported goods and to move the containers in the most reasonable and fast manner to have more containers for shipping export goods.

Nguyen Duy Hong, deputy general director of the Smartlogs Supply Chain Solution Corporation, said there are about 300,000 20-feet empty containers circulated among seaports in Viet Nam each year.

The circulation is ineffective because empty containers are often sent to major ports before moving to secondary ports for exporters, he said.

If it is organised properly, many containers will be used to transport export goods quickly, Hong said. For example, the technology process will optimise the use of containers by moving empty containers from importers directly to exporters and to flexible locations according to regional needs. That will create favourable conditions for businesses to have empty containers for shipping export goods, he said.

5. Insurance segment sits in good stead

Military Insurance Corporation last week officially re-listed 130 million shares on the Ho Chi Minh City Stock Exchange, switching from the Unlisted Public Company Market, with a reference price of around VND15,500 (67 US cents).Other insurers are also going public or working with foreigners. For instance, Petrolimex Insurance JSC – a subsidiary of Petrolimex – has confirmed to raise its foreign cap from 49 per cent to 100 per cent.Currently Vietnam boasts 31 non-life insurers, 18 life insurers, 16 brokers, and two reinsurers. Many reputable foreign insurance companies have a presence in Vietnam in both life and non-life sectors.

However, according to brokerage Saigon Securities Incorporation (SSI), aviation, travel, and freight insurances, which make up for around 6 per cent of the total non-life insurance premium revenue, were heavily affected by the COVID-19 pandemic.

The premium revenue for both health and life insurance reported a plunge in the social distancing period in March and April of 2020. However, these segments witnessed a steady recovery in the following months.

According to the Association of Vietnam Insurance, the health and life insurance premium revenue in the first three quarters of 2020 increased by 25.6 and 21.2 per cent, respectively, against the same period of 2019.

SSI indicated that the two largest enterprises are losing market share in life and non-life insurance, demonstrating fierce industry competition.

In the first three quarters of last year, the non-life market share of Bao Viet Holdings Group and PetroVietnam Insurance decreased while six companies increased their life insurance market share – Manulife, AIA, Generali, MB Ageas, FWD, and Aviva. Others lost market shares, such as BaoViet Life, Prudential, Dai-ichi Life, Chubb Life, and Hanwha Life.

In late December, VietinBank and Canadian insurer Manulife inked an exclusive 16-year bancassurance partnership to better meet the growing financial and insurance needs of Vietnamese people.

Manulife would also acquire insurance firm Aviva Vietnam since the latter formed a joint venture with VietinBank to distribute insurance products. Manulife's life insurance market share is predicted to reach 18.5 per cent – nearly equal to Prudential's share of 18.8 per cent.

“We're in an exclusive bancassurance agreement with Techcombank, SCB, and VietinBank, three prestigious groups, and are putting in our best efforts to become the market leader in this regard,” said Hoe Shin Koh, chief partnership distribution officer at Manulife Vietnam. “Bancassurance is our strategic approach not just in Vietnam, but in the entire Asian market. For instance, in 2015, Manulife Asia paid $1.2 billion to Singapore's DBS Group Holdings for a 15-year partnership, allowing us to sell products through this lender's Asian branch network.”

Experts at SSI forecasted that the growth of the premium revenue for life and non-life insurance segments in 2021 would be 22 and 10-12 per cent on-year, respectively.

“However, the insurance industry will still face numerous roadblocks, including low-interest rates and increasing re-insurance costs. These factors will consequently reduce insurers' profit because their investment portfolios are bank deposits and government bonds. Also, if the government bond yields drop, profits will be negatively impeded due to higher life-insurance reserves,” said SSI.

In 2020, in spite of the pandemic, the insurance market still maintained growth momentum with total property insurance of approximately VND552.4 trillion ($24.01 billion), up 21.5 per cent on-year, according to the statistics published by the Ministry of Finance (MoF).

Total equity capital was estimated at VND113.5 trillion ($4.9 billion) and total insurance premium was VND184.7 trillion ($8.03 billion), signifying increases by 27 and 15.2 per cent respectively. The claim cost was VND48.2 trillion ($2.09 trillion).

Data revealed by the MoF also showed that between 2016 and 2020, the total assets of the insurance market witnessed an average hike by 19 per cent on-year, with the figure for 2020 estimated at VND526 trillion ($22.87 billion).

The total money that insurance companies invested back to the economy saw an average increase by 19.4 per cent, with an estimated VND416 trillion ($18.09 billion) in 2020. The whole premium income boosts an average of 19.3 per cent and was estimated at VND226 trillion ($9.83 billion) last year.

The MoF continued to improve the draft decree on compulsory civil liability insurance for motor vehicle owners, replacing Decree No.103/2008/ND-CP dated 2008 and Decree No.214/2013/ND-CP from 2013. In addition, vehicle insurance is forecast to grow strongly, especially after Decree No.70/2020/ND-CP from last year introduced a registration fee cut of 50 per cent for cars.

KIS Securities believed the local government's eagerness to accelerate development of the domestic car market will lay a vital foundation for vehicle insurance in particular.

6. Animal feed exports increase in 2020

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

At present, the three largest export markets in terms of animal feed are China, Cambodia, and the US, which account for 10 per cent of the total export value of these goods.

Notably, Vietnam acquired $221.23 million from China (up 15.68 per cent), $122.32 million from Cambodia (up 23.15 per cent), and $114.5 million from the US (up 125 per cent).

According to the Ministry of Industry and Trade (MoIT), the country's export turnover from these products to key markets increased in 2020. However, turnover in many small markets declined such as Japan with $26.2 million, down 27 per cent on-year; South Korea with $19 million, down 18.5 per cent; and Indonesia with $11 million, down 33 per cent.

The MoIT forecasted that with the existing productivity in collaboration with the large-scale expansion, animal feed will be one of the goods categories having export turnover over $1 billion.

However, the export value of animal feed only accounted for one-fifth of the import turnover of $3.9 billion in 2020.

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

7. Japan's health names latch onto Vietnam

The second-largest pharmaceutical company in Japan, Daiichi Sankyo Co., Ltd., has entered a licence agreement with Mitsubishi Tanabe Pharma Corporation to register and launch edaravone brand Radicava in Vietnam. The medication treats patients with amyotrophic lateral sclerosis and helps with recovery from a stroke.

Yukinori Tominaga, general director of Daiichi Sankyo Vietnam Co., Ltd., told VIR, "We are going to provide more access to new medications in order to increase options for Vietnamese doctors to improve the quality of life in Vietnamese people."

The agreement is one of several plans by Daiichi Sankyo for Vietnam in 2021. It aims to contribute to the enrichment of quality of life in the country through the innovative pharmaceuticals from Daiichi Sankyo and external resources, as the Mitsubishi Tanabe case, in order to address diverse medical needs.

Having established a representative office in Ho Chi Minh City in 2014 to provide support activities for the sale and promotion of its pharma products, last year Daiichi Sankyo strengthened its presence in Vietnam by announcing the establishment of its Vietnamese arm as a wholly-owned subsidiary to conduct sales activities. This is to better respond to the changing business environment of the pharmaceutical industry in Vietnam and to strengthen its business operations, focusing on new products.

The Tokyo-based company researches in the field of innovative drugs, with subsidiaries operating worldwide. In fiscal year 2019, Daiichi Sankyo generated a revenue of almost ¥982 billion ($9.46 billion), up from approximately ¥930 billion ($8.96 billion) in the previous fiscal year.

Tominaga admitted that during 2020 with the global health crisis, Daiichi Sankyo has suffered some negative impacts especially in primary care, but avoided significant impacts throughout the year.

Daiichi Sankyo is one of several Japanese companies in the health sector with more presence in Vietnam, which is deemed a safe place to do business and which has growing demands for innovative medicines and high-end services, in a move to diversify their supply chains.

According to a representative from the Japan External Trade Organization (JETRO), besides traditional investment sectors like manufacturing, Japanese investors are also grasping onto other sectors such as healthcare, clean energy, and customer services.

As demonstrated in the list of 30 Japanese companies planning to move from China to Vietnam, the Philippines, Malaysia, Thailand, and Laos announced last year by JETRO, half of those will shift to Vietnam, with the majority operating in the health sector. They include names like Inoue Iron Works, Able Yamauchi, Showa, Techno Global, Hashimoto Cross, and Matsuoka. They specialise in pharmaceutical manufacturing equipment, medical gloves, masks, and other medical clothing among others.

Matsuoka Corporation, which produces protective clothing for the health sector, plans to invest ¥3 billion ($28 million) in An Nam Matsuoka Garment Company, its Vietnamese manufacturing unit, to start production of protective wear and other items in the next few months.

Elsewhere, seeing growth potential in Vietnam, Taisho Group, one of the five largest pharmaceutical firms in Japan, increased its ownership in Hau Giang Pharmaceutical JSC, the biggest publicly-traded drugmaker in Vietnam, to 50.78 per cent in 2019 as a way to deepen its footprint there.

Similarly, Nipro Pharma Corporation – Japan's biggest prescription drug contract manufacturer – is expanding its operations in Vietnam with a new project worth $300 million in Saigon Hi-Tech Park (SHTP) after investing $150 million in the first plant in the northern port city of Haiphong.

A source from SHTP told VIR that Nipro is completing procedures to enlarge its facility by increasing the investment capital by about $270 million.

Experts forecast that private domestic and foreign investment in the Vietnamese health sector will be on the rise as the state has plans to divest its stake in a number of powerful pharma firms, including leading pharma firms Vinapharm and Traphaco. The sector's existing challenges, including hospital overloads and downgrades, also bring about chances for financiers to venture further into.

According to data researchers Fitch Solutions, the country's total health expenditure was about $17 billion in 2019, or 6.6 per cent of the country's GDP. The company also projects that the figure will reach $23 billion in 2022 with compound annual growth rate of 10.7 per cent.

Corporate News

8. HPG: Hoa Phat posts highest crude steel output to date in January

↑ 1.67%

The Hoa Phat Group, Vietnam's leading steel producer, produced more than 670,000 tonnes of crude steel in January, its highest output to date and representing an annual growth of 67 percent.

The conglomerate said the fourth blast furnace at its Hoa Phat Dung Quat iron and steel production complex came into operation in the opening month of the year, officially raising its total crude steel output to 8 million tonnes per year.

This created favourable conditions for the firm to boost its manufacturing of hot-rolled coil (HRC), for which it has set a target of 2.7 million tonnes this year.

Hoa Phat's finished construction steel output, meanwhile, grew 6 percent annually to 186,000 tonnes, of which 37,000 tonnes was exported, up 38 percent year-on-year.

Nearly 140,000 tonnes of the group's steel billet served domestic and international markets, an annual increase of 40 percent.

Hoa Phat's steel market share in Vietnam currently stands at 32.5 percent.

9. VCB: BOD resolution on holding AGM 2021

↑ 1.11%

The Board resolution dated February 03, 2021, the Board of Directors of Joint Stock Commercial Bank For Foreign Trade Of Viet Nam approved the holding of Annual General Meeting 2021 as follows:

- Record date: April 23, 2021
- Meeting time: March 02, 2021
- Meeting venue: Ecopark Urban Area, Cuu Cao Commune, Van Giang District, Hung Yen.
- Content:

• Approving the report on the BOD activities in 2020 and plan for 2021;

• Approving the report from the Supervisory Board in 2020 and plan for 2021;

• Approving the business result in 2020 and business plan in 2021;

• Approving the audited financial statements in 2020;

• Approving the plan of profit distribution in 2020;

• Approving the remuneration of the BOD and Supervisory Board in 2021;

• Approving the selection of the auditor for the financial statements in 2021;

• Approving the amendment of the company's charter;

• Approving the plan to raise its charter capital in 2021 – 2022;

• Other issues.

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