



VIETNAM DAILY NEWS

March 22nd, 2021



Table of content

Table of content

- 1. Market ends mixed, VN-Index loses points on large-cap stocks**
- 2. Plastic enterprises stumble as prices of raw materials escalate**
- 3. Tourism Advisory Board (TAB) makes multiple proposals on international tourism resumption**
- 4. US popularises farm produce to Vietnam**
- 5. Vietnam's Sugar industry eyes solid 2021 after bitter year**
- 6. Cautious approach taken for 2021 rubber ambitions**
- 7. Vietnam becomes second largest woodwork exporter**
- 8. HPG: Hoa Phat to export over 2,000 tonnes of PC Strand to US**
- 9. VCB: FWD and Vietcombank tie up for exclusive investment-linked insurance product**

Market Analysis

1. Market ends mixed, VN-Index loses points on large-cap stocks

The market benchmark VN-Index finished lower on Friday as blue-chip stocks faced a sell-off after the hitting historic peak of 1,200 points in the previous session.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) fell 6.89 points, equivalent to 0.57 per cent, to 1,194.05 points. However, the index did not fluctuate much from the morning session as the overload issues on HoSE occurred again.

Selling pressure covered the market sentiment since it opened with many large-cap stocks across all sectors posting big losses. The index closed the morning session at 1,194.39 points.

The index's moves were widely forecast by analysts from securities firms.

"The VN-Index is expected to enter a strong fluctuation period, but in a positive way, in the short-term after breaking the historic high of 1,200 points. However, the market might be influenced by portfolio restructuring activities from ETFs," Tran Xuan Bach, a stock analyst from Bao Viet Securities Co., said.

FTSE ETF and V.N.M ETF restructured their portfolios on the last trading day of the week.

"The index might face corrections in the next session to test the territory of 1,185 - 1,190 points before rebounding."

On the technical front, the VN-Index successfully broke the 1,200 point-level. However, investors need to be cautious as the market might need to test this level again and the next few sessions might see corrections to build the ground for the next rally, analysts from MB Securities Co. said.

The market's breadth was negative as 251 stocks declined, while 193 stocks increased and 61 stocks stayed unchanged.

The market's liquidity stayed high as more than 680.9 million shares were traded, worth over VND17.2 trillion.

The VN30-Index dropped 0.68 per cent to 1,203.36 points. Twenty of the 30 biggest stocks in the VN30 basket slid while seven stocks rose.

Vietcombank (VCB) posted the biggest loss on Friday with a decrease of 3.38 per cent. Followed by Vinhomes JSC (VHM), Vietnam Rubber Group - JSC (GVR) and Vietjet Aviation JSC (VJC), down 1.91 per cent, 2.28 per cent and 3.26 per cent, respectively.

The market's losses were capped by gains in Vingroup JSC (VJC), Hoa Phat Group JSC (HPG) and Vietnam Airlines JSC (HVN). These stocks climbed by 1.18 - 3.55 per cent.

Meanwhile, on the Ha Noi Stock Exchange (HNX), the HNX-Index reversed the morning course to edge higher on Friday. The index reported an increase of 0.08 per cent to 277.7 points.

Investors poured nearly VND2.6 trillion into the northern exchange, with a trading volume of over 151.4 million shares.

On the other hand, foreign investors were net sellers on both exchanges, with a net sell value of over VND1.1 trillion on HoSE and a value of VND35.22 billion on HNX.

Macro & Policies

2. Plastic enterprises stumble as prices of raw materials escalate

An increase of more than 30 percent

Typically, in a notice sent to customers on March 10 of Hoa Sen Group, the representative of this group increased the prices of PVC pipes and fittings by 30 percent compared to the previous ones. The group explained that the cost of plastic materials had continuously climbed from the last quarter of 2020 to now. In the same situation, Mr. Nguyen Hoang Ngan, CEO of Binh Minh Plastic Joint Stock Company, said that his company had not dared to announce its operation plan in 2021 because the prices of raw materials escalated rapidly from the beginning of the last quarter of 2020 until now. This crisis is caused by the fact that up to 60 percent of plastic materials for domestic production are imported. Meanwhile, the production and transportation of plastic materials in the markets, which are suppliers of Vietnamese enterprises, are facing difficulties.

The survey by the Vietnam Plastic Association shows that Asia is the region using the largest plastic materials in the world, but the local supply only meets more than 70 percent of the demand. The rest of the supply must come from Europe and the Middle East. However, from the fourth quarter of last year, the supply in Europe and the Middle East has been interrupted because logistics activities have been stagnant. National blockade orders or tightening disease control have caused trade of enterprises to prolong. The shortage of empty containers has become serious, and transportation costs have also highly increased.

For the largest plastic material supplier in Asia, China, there was another difficult situation. In February, many manufacturers in this country took a long holiday. This combined with the disruption of shipping activities in Europe and the Middle East has made the domestic supply of plastic materials plummet heavily.

Facing this situation, many domestic companies had to find alternative sources in Thailand and Indonesia. However, taking advantage of the scarcity of plastic material supplies in the market, many companies in these two countries have continuously increased their prices. From the beginning of the year until now, the suppliers of

plastic materials in Indonesia have increased their selling prices four times. The prices of plastic materials in the market are estimated to have increased by about 30 percent compared to the same period last year.

Innovating and improving product quality

According to a report by the Vietnam Plastics Association, the growth of the plastic industry is expected to maintain at 6.5 percent in the 2019-2023 period. The two segments that account for the largest proportion in the value structure of Vietnam's plastic industry are packaging and construction plastic, which are still expected to be the main growth driving force of the industry. So how can this target be achieved in the context that the prices of raw plastic materials climb steeply?

Mr. Le Tuan Anh, CEO of Cat Thai Production and Trading Co., Ltd., said that leading FDI enterprises usually appoint partners to supply raw materials for supporting enterprises in their supply chain. These enterprises are allowed to adjust the selling prices of raw materials but must follow the rule of every three months. When the leading FDI enterprises accept the price adjustment of raw material suppliers, it means that the purchasing prices of supporting industry products of manufacturing enterprises in the supply chain are also adjusted. This will eliminate risks, product price hikes, and unsalable situations. However, to do so, enterprises need to make efforts to innovate and improve product quality to be able to join the global supply chains of large corporations.

From another perspective, enterprises whose market share is not in the supply chains should strive to change production technology, at the same time, proactively grasp, and closely follow market developments. First, in the medium term, the source of raw materials for production still depends on imports. At present, the Ministry of Industry and Trade (MoIT) has assigned trade commissioners to expand the search for the supply of raw materials for production, including plastic materials for domestic enterprises, helping them to diversify markets for importing raw materials. Besides, the MoIT said that manufacturing activities in China have recovered after a long holiday, which is expected to cool down

the scarcity of plastic materials in the market next month. Moreover, the ministry has been working with authorities to remove difficulties that have

been disrupting the logistics activities of enterprises.

3. Tourism Advisory Board (TAB) makes multiple proposals on international tourism resumption

TAB threw its support behind the Government's viewpoint that it would not compromise on public health for economic benefits.

However, tourism is a key economic sector of Vietnam, generating a revenue of more than US\$30 billion per year and employing a large number of people. Therefore, it is necessary to facilitate international flights and seek markets for travel firms and hotels.

Creating favorable conditions for international flights will also help foreign-invested firms which are operating in Vietnam as they need foreign experts for their projects.

Besides the Covid-19 vaccination programs, many countries that are Vietnam's rivals in the tourism sector have come up with plans to open their markets to facilitate the travel of entrepreneurs, experts and tourists.

The Vietnamese Government and competent agencies should consider opening the market in a safe and sustainable manner in order not to lag behind. However, there should be a roadmap to reopen the market.

TAB supported the Government's policies to ensure safety for tourists, experts and others to prevent risks of community transmission, adding that the Ministry of Finance should allow insurance companies in Vietnam to sell Covid-19 travel insurance products, applicable to all foreigners

coming to Vietnam and Vietnamese tourists traveling abroad.

The insurance will ensure benefits and safety for tourists, travel companies and local authorities in case of tour delays or cancellations.

In addition, TAB proposed including tourism sector employees in the list of priority people to receive Covid-19 vaccines. The Government can also consider allowing enterprises' owners to import Covid-19 vaccines.

Together with activities to reopen the market safely, marketing activities are also important to attract visitors.

According to TAB, the local tourism sector should develop promotional programs aimed at foreign tourists with the participation of both the State and the private sector. TAB is willing to cooperate with the Vietnam National Administration of Tourism and other organizations to develop promotion programs.

Regarding the visa policies, to improve the local market's competitiveness, Vietnam should improve its policies. TAB suggested continuing the visa exemption policy for 30 days for citizens from the countries eligible for the policy before the pandemic and adding Australia, New Zealand, India and the remaining European countries to the list of countries entitled to the visa-waiver program.

4. US popularises farm produce to Vietnam

Vietnam is one of the promising markets of the US's farm produce, especially high-quality, safe and healthy products, experts said.

They shared the view during a ceremony announcing the United Tastes – a trademark and marketing initiative designed for the Vietnamese

market, which was co-organised by the US Consulate General in Ho Chi Minh City and the US Department of Agriculture on March 18.

US Consul General in Ho Chi Minh City Marie C. Damour said popularisation of food and cuisine

culture is an excellent way to bring the two countries together.

She added that the United Tastes marketing campaign will serve as a bridge for the two nations to share cuisine culture, provide support for US farmers, fishermen and food companies, and introduce high-quality US farm produce to Vietnamese consumers.

Agricultural Counsellor at the US Consulate in Ho Chi Minh City Robert Hanson said over the past decade, Vietnam has always posted positive growth and been one of the fastest growing economies in Asia. The US's farm produce export to Vietnam has increased by 40 percent over the past five years, reaching 3.7 billion USD last year.

Vietnam is now the seven largest agriculture market of the US, with soybeans, corns, pork and beef being main imports. The US is also stepping up the export of apple, blueberry and baking ingredients, he said.

According to him, with increasing income, the Vietnamese people increasingly pay attention to safe and healthy products with clear origin. They have also adopted the habit of using social media to follow consumption trend, frequently going shopping at supermarkets and dining at restaurants.

He stressed that apart from diversity, safety is a top priority of the US farm producers. Consumers will also be provided with information about the farming and processing of the US farm produce.

Quach Van Hoa, Business Deputy Director of The Alaska Guys Vietnam Co.Ltd, said domestic importers and distributors hope for more reasonable tax and licensing policies to facilitate bilateral trade, thus making it easier for Vietnamese consumers to access a diverse source of quality products.

5. Vietnam's Sugar industry eyes solid 2021 after bitter year

Rubber prices are returning to an upwards trend, and the Vietnam Rubber Group (VRG) wants to increase revenue to VND27.1 trillion (\$1.17 billion) for this year, higher than the VND21.17 trillion (\$1.18 billion) in 2020. But the pandemic is causing VRG to be more cautious when it comes to the proposed profit target of VND4.6 trillion (\$200 million) for 2021, much lower than the VND5.23 trillion (\$227 million) of 2020.

Le Thanh Hung, deputy general director of VRG, said that the group's rubber export orders are strong, as some units have signed new contracts with customers up until the end of 2021, with some of these including orders for every month. VRG's output in 2020 reached nearly 370,000 tonnes of rubber latex, up 10.4 per cent compared to 2019.

The hesitant approach towards this year's goals may still be reasonable. On one hand, Vietnam is selling rubber to the global market at higher prices than before, with the average price in January standing at \$1,608 per tonne, up 0.9 per cent from December and 10.3 per cent over January 2020, according to the General Department of Vietnam Customs (GDVC). However, though prices have been gradually increasing since the third quarter of last

year, "most businesses have no more goods for sale," said Vo Hoang An, general secretary of VRG. Vietnam's rubber industry may thus not benefit much from the rising prices if the supply continues to be slow.

China, India, and South Korea remained the three largest rubber consumption markets of Vietnam in 2020, accounting for 76.8, 3.7, and 2.1 per cent of the market share, respectively. However, as the pandemic has not been completely controlled in these markets, the growth of the Vietnamese rubber industry has been directly affected.

According to statistics of the GDVC, Vietnam's rubber exports in 2020 reached 1.75 million tonnes, worth \$2.38 billion, up 2.9 per cent in volume and 3.6 per cent in value compared to 2019. The average rubber export price of Vietnam in 2020 stood around \$1,360 per tonne, an increase of 0.7 per cent compared to the previous year.

Rubber exports to China in January accounted for 75.05 per cent of the total export volume of the country, reaching more than 142,000 tonnes worth \$222 million, down 19.4 per cent in volume and 19.5

per cent in value compared to December 2020, according to data of the GDVC.

The Agro Processing and Market Development Authority under the Ministry of Agriculture and Rural Development has considered the possibility that China will reduce rubber imports in 2021 after gathering a large stockpile. In 2020, China imported \$4.34 billion of natural and synthetic rubber, up 35.2 per cent on-year. In China, Vietnamese rubber is forced to compete with Malaysian suppliers, and the geographical advantage of Vietnamese rubber may be significantly reduced due to the advantage of Malaysia's supply stability. Data from the Foreign Trade Agency under the Ministry of Industry and Trade showed that Malaysia's rubber exports in December reached more than 61,000 tonnes, up 8.9 per cent compared to November and up 21.8 per cent compared to end-2019.

China is Malaysia's largest rubber export market, accounting for 53.8 per cent of the total export volume. Meanwhile, Germany and the US account for 10.2 and 5.4 per cent, respectively.

Vietnam's rubber exports may also face more hurdles in 2021 as the country's market share in the US decreased slightly last year compared to 2019. According to statistics of the US International Trade Commission, in 2020, Vietnam was the 13th-largest rubber supplier with over 25,000 tonnes, worth \$36.75 million, but down 21.2 per cent in volume and 15.4 per cent in value compared to 2019. In total, Vietnam's share within the US' rubber imports accounted for 1.59 per cent, slightly down from 1.65 per cent in 2019.

The International Rubber Study Group (IRSG), composed of rubber producing and consuming stakeholders, found that total global rubber demand

in 2020 decreased by 8 per cent to 26.5 million tonnes. Demand for natural rubber decreased by 8.1 per cent to 12.5 million tonnes while demand for synthetic rubber reduced by 7.9 per cent to 14 million tonnes.

Meanwhile, global production of natural rubber went down by 5.9 per cent in 2020 due to abnormal weather, rubber tree defoliation, and the pandemic, which mostly affected production in Southeast Asian countries. In 2021, the situation of the global rubber market may change amid rising oil prices and expectations of recovering economies. The IRSG forecasts that the world's demand for natural rubber this year will recover thanks to a higher demand for commercial vehicles, particularly in emerging markets. The demand for synthetic rubber is forecast to rise by 10.2 per cent on-year thanks to strong demand for gloves and other seasonal products. Besides that, the market may also profit from rising oil prices and a weaker US dollar.

Meanwhile, at the Osaka Dojima Commodity Exchange (ODE), the prices of rubber for the July 2021 term increased to the highest level in four years, thanks to the recovery of term prices at the Shanghai Stock Exchange.

Although the rubber market in 2021 remains very unpredictable, the increase in rubber prices is still considered good news for rubber producing countries like Vietnam.

For example, the nation's rubber exports to the Indian market are expected to see more positive growth this year. According to the Nomura Research Institute, the Indian automobile industry is expected to recover strongly in this fiscal year after the negative impacts of the COVID-19 pandemic, which may also increase demand for Vietnamese rubber.

6. Cautious approach taken for 2021 rubber ambitions

Foreign direct investment (FDI) firms' import-export value reached 68.52 billion USD in the first two months of 2021, a surge of 31.5 percent from the same period last year, according to the General Department of Vietnam Customs.

In January-February, the FDI sector enjoyed nearly 5.5 billion USD in trade surplus, with exports exceeding 37 billion USD, up 32 percent year on

year, while imports totalling 31.51 billion USD, up 30.8 percent.

Among sub-sectors, the machinery, tools and parts posted the largest export growth 77 percent, increasing 2.44 billion USD. It was followed by phones and spare parts (2.2 billion USD, or 29 percent), and electronics and parts (1.85 billion USD, or 34 percent).

As of February 20, 5.46 billion USD worth of FDI was injected into Vietnam, equivalent to 84.4 percent of the figure recorded in the same time last year, according to the Ministry of Planning and Investment.

As many as 126 foreign projects were granted investment licences with total registered capital of 3.31 billion USD, a year-on-year fall of 33.9 percent.

Meanwhile, 115 existing projects adjusted their investment capital with a total additional sum of

1.61 billion USD, or 2.5 times higher than the same time last year.

Capital contributions and shares purchases by foreign investors stood at 543.1 million USD, down 34.4 percent.

Foreign investors pumped capital in 17 sectors, with processing and manufacturing holding the lead with over 3 billion USD or 55.7 percent, followed by power production and distribution with 1.44 billion USD (26.5 percent), real estate 485 million USD, and science-technology nearly 153 million USD.

7. Vietnam becomes second largest woodwork exporter

Vietnam's forestry export revenue amounted to US\$13.2 billion in 2020, up 16.4% against 2019, Nguyen Chanh Phuong, vice chairman of the Handicraft and Wood Industry Association of HCMC (HAWA), announced at a ceremony to launch the Vietnam Furniture Matching Week on March 17.

This was the only sector in Vietnam to achieve strong growth for many consecutive years. Between January and February this year, Vietnam exported wood and woodwork worth US\$2.4 billion, up 50% year-on-year.

The growth resulted from the order shift of many customers from some countries which have been hit hard by the coronavirus. Besides, many firms said that the Sino-U.S. trade tension hindered China's woodwork exports to the United States.

Local woodwork players have secured many orders for wood and woodwork from U.S. customers.

“Due to the ongoing health crisis, to overcome the hardship and develop the sector, local wood firms should use new technology, speed up digital transformation and diversify their methods to access customers,” said Phuong.

Echoing the view, Duong Thi Minh Tue, a member of the Standing Committee of HAWA, said that to maintain the position, retaining customers and tapping more import markets should be taken into account.

In March and April each year, a large number of orders are often placed by international buyers at multiple big fairs in Asia.

However, due to the coronavirus pandemic, these annual events will not take place, so firms should optimize online channels and ecommerce platforms to attract customers.

The Vietnam Furniture Matching Week is set to take place from April 12 to 19 with the aim of digitalizing exhibition, fair and trade activities, said Tue.

The event will feature the Furniture Sourcing Day in HCMC on April 14, which will attract the participation of over 300 local and international manufacturers and partners such as Kingfisher, IKEA, Ashley and Te Rite.

The Vietnam Furniture Matching Week will access global furniture importers through some online programs on the online platform, hopefairs.com.

The Online Exhibition and Online B2B Matching will introduce over 100 Vietnamese producers with some 10,000 products.

As the world's second largest furniture exporter, Vietnam is one of the first destinations for international woodwork buyers, Phuong said.

Corporate News

8. HPG: Hoa Phat to export over 2,000 tonnes of PC Strand to US

↑ 1.18%

Leading steel maker Hoa Phat Group has won an order to export to the US more than 2,000 tonnes of pre-stressed concrete steel strand (PC Strand), the group has announced.

The high-strength product is mainly used to enhance projects, such as bridges, railways, expressways, high-storey buildings and stadiums.

The shipment will be delivered this month.

Its PC Strand plant is located at the Hoa Phat Dung Quat Integrated Steel Complex in the central province of Quang Ngai which features a deep-water port, enabling fast delivery.

The plant is capable of producing close to 300,000 tonnes, including 200,000 tonnes of PC Bar and over 80,000 tonnes of PC Strand, annually.

Hoa Phat's PC Strand products satisfy the US's ASTM A416/A416M-17 standards.

Hoa Phat Group sold over 93,200 tonnes of steel pipes in the first two months of this year, a year-on-year increase of 8.6 percent and giving it the leading market share in Vietnam.

Hoa Phat Steel Sheet Co., its subsidiary, recorded impressive sales growth of over 42,000 tonnes, a 91 percent rise over the same period last year. The company signed contracts to export corrugated steel products to Europe, the US, and Canada.

9. VCB: FWD and Vietcombank tie up for exclusive investment-linked insurance product

↓ -3.38%

The product is exclusively distributed by the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) through its nearly 600 offices nation-wide.

When buying an FWD Nang Tam Vi The (FWD Elevating Success) policy, customers are protected against death, total and permanent disability. Besides, they can flexibly increase protection against risks such as hospitalisation, surgeries, critical illness, accidents, etc with various rider options.

The product also offers an unprecedented breakthrough benefit in form of an automatic increase in the sum assured by 15 per cent every three years without the need for medical re-underwriting or changes to the target premium.

This is a meaningful benefit that helps customers enhance their protection value over time.

Nguyen Thi Kim Oanh, Deputy General Director of Vietcombank, said: "Vietcombank's customers have been expressing their need for an insurance product that combines protection and investment in one place. "FWD Nang Tam Vi The (FWD Elevating Success)" is a perfect solution to meet this demand. We are impressed by the speed at which FWD Insurance builds and launches their products, and together with positive early results recorded from our partnership, the launch of this new product will allow both companies to accelerate in the coming years."

Huynh Huu Khang, CEO of FWD Vietnam, said: "FWD Nang Tam Vi The (FWD Elevating Success)" is an easy-to-use product, developed to meet the changing needs of today's digital lifestyle and brings our vision to life as we strive to change the way people feel about insurance. It offers great benefits for Vietcombank customers where both protection and investment are offered under one single product. Digital technology is a strength of

both Vietcombank and FWD Insurance and this collaboration showcases our innovation and customer led approach at its best.”

In addition to solid protection, FWD Nang Tam Vi The (FWD Elevating Success) also offers an attractive wealth growth opportunity through the investment advantages of FWD Unit-linked Fund. With 3 simple and easy-to-understand options of FWD Unit-linked funds (Conservative, Progressive and Aggressive) that range from low risk to high risk, customers can flexibly design investment plans to match their risk appetite.

FWD Nang Tam Vi The (FWD Elevating Success) also offers flexibility and convenience where customers can invest more, convert funds, change allocation rates, or withdraw money anytime.. Customers can also easily track their investments or update fund performance online.

The product also provides other special benefits such as periodic and special policy persistency bonuses to ensure the account value grows during the policy period.

Research Team: **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn