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Market Analysis

1. Shares close higher but VN-Index fails to hit 1,200

Viet Nam's stock market managed to close higher on Monday but the correction pressure from the banking group hindered indices from rising further.

On the Ho Chi Minh Stock Exchange (HoSE), the benchmark VN-Index failed to conquer the 1,200-point landmark. It was up 0.03 per cent to close at 1,194.43 points.

The southern market index had gained 1.06 per cent last week.

The market's breadth turned negative as 274 stocks declined while 180 stocks increased and 60 stocks ended flat.

More than 700 million shares were traded on the southern market, worth over VND15.8 trillion (US\$684.8 million).

Many big bank stocks put pressure on the market's uptrend, including Sacombank (STB), VPBank (VPB), Techcombank (TCB), Military Bank (MBB) and Bank for Investment and Development of Viet Nam (BID).

But the market was strongly supported by many other blue-chip stocks such as Vietcombank (VCB), Novaland (NVL), Bao Viet Holdings (BVH), Vietjet (VJC), Thanh Thanh Cong Bien Hoa JSC (SBT), Vincom Retail (VRE), Vinhomes (VHM) and PVPower (POW).

"Liquidity fell slightly and market breadth was negative, indicating a cautious trading sentiment before the resistance level of 1,200 points," said BIDV Securities Co.

"Foreigners continued to be net sellers on the HSX while they were net buyers on the HNX.

"With cash flow trend circulating among different sectors and cautious trading sentiment, VN-Index may continue consolidating before the threshold of 1,200 points in the coming sessions," the company said.

Foreign investors' net sold VND466.74 billion on HOSE, including Vinamilk (VNM) (VND172.3 billion), Vietinbank (CTG) (VND156.1 billion), and Hoa Phat Group (HPG) (VND79.9 billion). They were net buyers on the HNX with a value of VND9.01 billion.

The VN30 Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, lost 0.4 per cent to close at 1,198.54 points.

Eighteen of 30 biggest stocks in market value decreased while 12 rose.

On the Ha Noi Stock Exchange (HNX), the HNX-Index lost 1.03 per cent to touch 274.84 points.

The northern market index had gained 1.38 per cent last week.

On the northern bourse, more than 160.5 million shares were traded, worth over VND2.4 trillion.

"The market is forecast to undergo correction pressure in the first sessions of this week before regaining towards the end of the week," said Bao Viet Securities Co.

"VN-Index shall test the support area of 1,185-1,190 points in some sessions before recovering."

"The rise of the global stock market, Q1/2021 business earnings information, and the upcoming annual general meeting (AGM) season of listed companies will be supportive factors for market movements in the short term," it said.

Macro & Policies

2. FIEs retain pole position in bolstering trade surplus



Samsung Vietnam can look back at positive results from last year. Talking to VIR, a representative of Samsung Vietnam confirmed that the impact of the “pent-up demand” by the pandemic has been helping the company to gradually recover.

The total export turnover of Samsung Vietnam in 2020 reached about \$57 billion, an important

3. PDP8 priorities and risks addressed

The third draft of the National Power Development Plan 8 (PDP8) for the 2021-2030 period, with a vision to 2045, developed by the Ministry of Industry and Trade is the result of the third consultation of ministries, sectors, and businesses operating in the sector.

According to the most recent calculations, the forecast commercial electricity mentioned in the PDP8 will be lower than the adjusted PDP7, by about 15 billion kilowatt-hours by 2030. As another new element, the electricity demand will shift from the south to the north.

The new plan will give priority to the exploitation of renewable energy sources for electricity generation. However, due to the exhaustion of natural gas resources, as well as the uncertainties linked to the exploitation of new gas fields, Vietnam will have to import liquefied natural gas (LNG) on a large scale to supply LNG-fired power plants and ensure energy security.

milestone for the company as one of its most important branches, Samsung Electronics, aims to become the largest chip manufacturer in the industry, targeting a value of around \$400 billion.

Samsung Electronics together with many other transnational corporations has been increasing investment in Vietnam for many years, mostly driven by low taxes, affordable labour, and good land incentives.

Foreign-invested enterprises (FIE) are dominating Vietnam's exports, accounting for 69 per cent of the country's total export turnover, according to the Ministry of Industry and Trade (MoIT). This has contributed to bringing Vietnam into the group of the few countries still achieving positive economic growth during the first year of the pandemic, as well as maintaining a trade surplus of nearly \$1.29 billion in the first two months of 2021.

Along with that, the development of gas-related infrastructures such as warehouse and port systems are necessary.

Besides imported gas, it may be also necessary to promote the import of coal in large volumes to ensure a stable fuel supply for the current and planned coal-fired thermal power plants.

Nevertheless, there is a much stronger focus on exploiting renewable energy sources than before, especially offshore wind, solar, and biomass power sources, along with other renewables. The selected scheme satisfies the power supply and international commitments to reduce environmental pollution in the generation process with low production costs and harmonising benefits for the state, investors, and end-users.

Moreover, the PDP8 meets the criteria set out in Politburo's Resolution No.55/NQ-TW on the orientation of the National Energy Development Strategy of Vietnam to 2030, with a vision to 2045.

The PDP8 can give high priority to the development of renewable energy sources and promoting the development of projects for LNG power and the gradual reduction of coal-fired plants.

The plan is currently divided into six major areas and 19 sub-regions to analyse and build a strong transmission grid between the regions. Before 2030, all mentioned regions are planned to be linked by many 500kV lines. After 2030, there will be more one-way power transmission lines to release the capacity of clusters of large offshore wind power sources to the central units.

The scheme needs about \$128.3 billion, of which about \$95.4 billion are reserved for power sources and the remaining \$32.9 billion for the grid. In the 15 years after that, another \$192.3 billion will be required to be split into \$140.2 billion for power generation and \$52.1 billion for the transmission network.

Furthermore, the plan proposes three groups of mechanisms for its implementation, including investments in electricity development, capital attraction and mobilisation, and for ensuring the electricity system's operation under market conditions, including the integration of renewable energy sources.

In addition, 13 solutions related to the revision of legal documents, capital solutions, electricity prices, environmental protection, science and technology, human resources development, and organisation are also mentioned in this scheme.

Important source

Deputy Prime Minister Trinh Dinh Dung, who is also part of the National Power Development Plan Appraisal Council said, "In this master plan, solar and wind energy sources should continue to be prioritised for development as they are both natural resources that are especially abundant in Vietnam. However, it is necessary to form and maintain a stable supply for the whole system."

The deputy PM noted that the development of renewable energies should consider power reserves while ensuring operational safety for the whole system and source capacities.

According to the PDP8, the coal power structure will be decreasing in total capacity. However, this is currently a particularly important source of energy and serves as the backup for the entire system. Regarding the implementation of the plan, deputy PM Dung said that appropriately allocated capital sources should be considered, including the list of projects that can be exploited soon.

He also believed the PDP8 will create an important innovation step and serve as the foundation for mobilising resources for the development of the power industry, thereby meeting the socioeconomic needs of the nation.

Coal power still preferred

The draft shows a gradual decrease in coal power development and a gradual increase in renewable energy development, separated into phases.

However in the next decade, coal-fired power will still have a high priority due to the addition of about 17GW of new coal power plants to the system.

The Vietnam Sustainable Energy Alliance, the Vietnam Non-Communicable Disease Prevention Alliance, and the Vietnam Rivers Network have recommended considering the suitability, feasibility, and consequences of the new coal power development plan in five aspects.

Firstly, without learning from the implementation of the PDP7, shortcomings will continue to exist, leading to risks of further delays of coal power projects. Their development between 2016 and 2020 faced many difficulties in both capital mobilisation and lack of support from residents and local authorities, resulting in a mere 57.6-per-cent fulfilment of the PDP7. In the past five years, only about 7GW of coal power plants were put into operation, of which only one unit (0.6 GW) was put into operation by 2020.

Secondly, there is a strong dependence on external supplies as 86 per cent of new coal plants must use imported material, while the ability to import from the sources identified in the draft forecasts face many difficulties, possibly affecting national energy security.

Thirdly, new high-tech coal-fired power plants do solve the environmental problem, and at the same

time make it more expensive than developing renewable energy sources.

Also, continuing to develop new coal power projects will guide Vietnam in the opposite direction of the global world and contradicts the efforts to implement the climate goals of the Paris Agreement. To achieve this goal, it is necessary to close all coal power plants globally by 2040. However, the plants in the current draft are meant to operate at least until 2050, possibly even until 2070.

Lastly, according to the scenario in the current draft of the master plan, the total amount of greenhouse gas emissions will increase continuously from 9,500 tonnes last year to over 42,000 tonnes by around 2035, which poses a high risk of further air pollution and impacts the environment and public health.

4. Vietnam investors start embracing local startup

In the past three months, a growing number of local startups in various fields including electronics, logistics to financial services has successfully raised funds of up to millions of dollars from local investors, who in the past was less active compared to their foreign peers in the search for a hidden gem in the market.

The move came as a surprise given the fact that domestic venture investment funds only make up one fifth of the total 100 currently operating in Vietnam, in turn raising the question of whether such movement could become a trend in the coming time.

Among major deals, local B2B logistics startup EcoTruck received VND100 billion (US\$4.3 million) in its Series A funding in late 2020 from major IT firm VNG. A few months later, VNG continued to invest US\$6 million in Got It – a digital gifting platform.

In January, VinaCapital Ventures poured US\$1 million into GoStream, a startup providing platform for livestream in Series A funding, while Phu Nhuan Jewelry Company (PNJ) acquired 30% stake at Nguoi Ban Vang, a startup operating in the field of financial services, in a deal worth around VND3 billion (US\$130,000).

The reports by the three agencies added that the total capacity of renewable energies that is meant to be mobilised is very low compared to the potential and makes up only about 4-5 per cent by 2030, and 13-16 per cent by 2045. Some renewable options that have the advantage of decreasing costs and offering effective solutions may not be sufficiently mobilised within the next 10 years.

According to the draft, solar power takes a minor role with only about 2GW put into operation. Moreover, solar power in combination with agriculture has not been considered and there is no mechanism to encourage this development. Meanwhile, offshore wind power, hydropower, and battery storage for these systems have not been included in this period.

Meanwhile, Vietnam's major payment apps MoMo has set up its own investment arm to support local startups called MoMo Innovation Ventures.

CEO of EcoTruck Le Hoang Anh said as the firm is operating in a field with a foreign ownership cap of 49%, raising domestic fund would help EcoTruck keeping its working capital flowing and ensure business running smoothly.

“During the process of raising funds, domestic investors would face less legal hurdles compared to foreign peers,” said Anh, adding there would be more added value for local investors, including a potential partnership in the future.

Win-win situation

As the pandemic is wreaking havoc on global economy, more business leaders feel stronger confidence in technological advancement as an irreversible trend, therefore, the market expects more startup deals to come.

Nguyen Ba Diep, executive vice chairman and co-founder of MoMo, said most innovative startups face difficulties during their early phase of development, especially in the search for customers and accessing capital.

“For sustainable development, MoMo could not go alone, as such, we would use our venture investment fund to support enterprises growing in terms technologies and system upgrade,” Diep continued.

CEO of PNJ Le Tri Thong said “by cooperating with startups, major enterprises could accelerate their development process by accessing new technologies and solutions, which otherwise would take long time to develop by themselves.”

A report from the Australian Trade and Investment Commission (Austrade) stated Vietnam has the third highest startups growth rate in Southeast Asia, from 400 in 2012 to nearly 1,800 in 2015 and 3,000 in 2017.

However, despite the fast-growing number of startups, Vietnam remains among the world's 20 countries with the lowest rate of startups having successfully realized their business models, at just 3%.

In 2020, investment capital into startups in Vietnam stood at US\$290.43 million in 56 deals, accounting for 17% of the total value in Southeast Asia and up 5% from 2018.

By 2030, Vietnam targets to have at least 10 tech unicorns capable of competing with regional standouts such as Grab, Go-Jek or Traveloka.

5. Vietnam to investigate shipping lines' freight fees and surcharges

The Vietnam Maritime Administration will launch an investigation of 12 shipping lines for freight fees, charges and surcharges, and issues related to ocean container shipping services.

The shipping companies are subject to the investigation include: Denmark-based Maersk, Switzerland's Mediterranean Shipping Company (MSC), China-based COSCO, French CMA - CGM, German Hapag -Lloyd, Chinese Taipei Evergreen, South Korea's Hyundai Merchant Marine (HMM), Taiwan's YangMing, Singapore-based Pacific International Lines (PIL), Hong Kong-based Orient Overseas Container Line (OOCL) and Taipei-headquartered Interasia.

Ocean Network Express (ONE) jointly operated by Japanese lines Kawasaki Kisen Kaisha (K Line), Nippon Yusen Kabushiki Kaisha (NYK), and Mitsui O.S.K. Lines (MOL) is also on the list.

The Vietnam Maritime Administration (VMA) requires the shipping companies to provide relevant

documents on listed prices, information on freight rates and surcharges of shipping lines to Europe and the US, and vice versa from 2020 to present.

The authority launches the investigation following complaints of local associations, importers and exporters about the increase of ocean freight since late October 2020, especially shipping costs to Europe and the US.

In February, a task force has been set up to ensure shipping companies complying with the government's Decree No.146 detailing regulations on quoting fees and surcharges of ocean container freight and seaport charges, in a drive to remove difficulties for import and export activities.

The task force, led by VMA Vice Head Hoang Hong Giang, includes 13 members from the ministries of Transport and Industry and Trade. They are responsible for addressing complaints from forwarders that there has been unreasonable surge in container shipping rates.

6. FDI firms enjoy 5.5 billion USD in trade surplus in two months

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's Garment exports to Eurasian Economic Union might have exceeded quota

The Ministry of Industry and Trade said it recently received a diplomatic note from the Eurasian Economic Commission saying that while the quota for jerseys, pullovers, cardigans, and waistcoats was 1,520 tonnes a year, exporters had shipped over 1,640 tonnes. Exports of knitted women's suits also exceeded the quota of 382.7 tonnes, with 414.9 tonnes being shipped.

The agreement incorporates safeguard measures against exceeding quotas, and accordingly Vietnamese textile-garment exporters will not be entitled to preferential tariffs for a period of six to nine months and instead will have to pay Most Favored Nation import duties.

But Pham Xuan Hong, chairman of Ho Chi Minh City Textile and Garment Association, told local media that members had not received any warnings from their partners in the EAEU market.

Nguyen Ly Truong An, deputy CEO of logistics firm SeaAir Global, said there are textile companies with factories in Vietnam who import products from China and pass them off as made in Vietnam, thus causing export volumes to surge.

"If strong measures are not taken to deal with the origin fraud, Vietnam's textile and garment industry will be severely affected."

The Trade Remedies Authority of Vietnam announced a list of 13 other products also likely to face trade origin fraud or illegal transshipment investigations, including plywood made from hardwood, foam cushions and wooden cabinets exported to the U.S., and car tire exports to the U.S. and the EU.

Corporate News

8. VNM: No more M&A deals for Vinamilk: chairwoman

↓ -0.88%

GTNFoods recently sought shareholders' approval for it be merged with husbandry company Vilico and delist from the Ho Chi Minh Stock Exchange (HoSE).

Lien, chairwoman of GTNFoods and Vinamilk, explained that the company does not have a distinguishing operation of its own and mostly depends on contributions from Vilico, in which it owns a 74.49 percent stake.

The merger therefore will simplify its business structure and lower costs, ensuring more effective use of resources, she said, adding that after the merger, Vilico should focus more on developing its milk and beef products. After the merger, which is

set to happen in August, a GTNFoods shareholder can trade 16 GTN shares for 10 Vilico (VLC) shares. GTNFoods will then cease to exist.

Vilico aims to be a major husbandry producer in Vietnam, aiming to see revenue grow by 9 percent year-on-year to VND3 trillion (\$130 million) this year.

It plans to invest in a breeding farm to produce 20,000 cows a year.

GTNFoods became a subsidiary of Vinamilk in 2019 as the dairy giant sought to acquire Moc Chau Milk, whose products are popular in northern Vietnam.

9. TCB: Techcombank named among top 4 with most volume traded

↓ -1.67%

Tran Ngoc Nga, Business Director of Refinitiv Viet Nam and Myanmar, said Viet Nam FX market had grown strongly and steadily over the years. The average size of Viet Nam's forex trading on the interbank market through the Refinitiv FXT system had increased from US\$1.2 billion to \$2.5 - 3 billion a day in the past few years.

In particular, Techcombank's dynamism had always been appreciated based on its good customer base and experience in performing many large-value foreign currency conversion transactions. Techcombank made a strong impression in the role of a leading market maker, making a significant contribution to promoting the development of the foreign exchange market in Viet Nam, she added.

Phan Thanh Son, Deputy CEO - Head of Global Transaction Services at Techcombank, said: "This is the result of a process of outstanding improvement efforts to provide optimal solutions in technology as well as product architecture to customers under the "Customer-centred" strategy. The award is a recognition, as well as motivation

for us to continue to reinforce the trust of customers and partners in the ability to handle large-scale transactions. From there, enhancing its role in creating liquidity, professionalism as well as the healthiness of the Vietnamese foreign exchange market according to the State Bank of Viet Nam's direction."

This is the first time Refinitiv has published the ratings of Vietnamese banks on Matching trading volume, which means international recognition of the growing size of the forex trading market in Viet Nam. Refinitiv rankings are reviewed based on actual US trading volume statistics compiled in 2020, for 46 banks in Viet Nam that are members of the Refinitiv interbank foreign currency trading system (Refinitiv FX Matching).

Refinitiv is a member of the London Stock Exchange Group (LSEG), the world's largest stock exchange and financial market data provider founded in 1801, with revenue of \$6.25 billion and more than 40,000 customers and 400,000 end users in more than 190 countries and regions around the world. In 2019, the FX Matching system was officially approved by the central bank and used in the foreign exchange market of Viet Nam.

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