



VIETNAM DAILY NEWS

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Market Analysis

1. Shares rebound due to improved sentiment

Shares ended Thursday on a positive note as foreign buying surged unexpectedly at the end of trading, pushing up a series of large-cap stocks, which helped boost market sentiment.

On the Ho Chi Minh Stock Exchange (HoSE), the benchmark VN-Index rose 0.11 per cent to 1,163.10 points.

The index had dropped 1.83 per cent on Wednesday.

The market's breadth was negative as 245 stocks declined while 205 increased.

Market liquidity was still high with a trading value of more than VND17 trillion, equivalent to some 690.7 million shares traded on the southern market.

"The VN-Index is retesting the support level of 1,160 points as the market maintained its sideways trend today," said BIDV Securities Co (BSC).

"Investment cash flows into the market with liquidity falling slightly and market breadth were negative, reflecting the cautious trading sentiment.

"The remarkable note in today session was that foreign investors were net buyers on HoSE which focused mainly on Vingroup (VIC) shares," BSC said.

Foreign investors net bought VND267.74 billion on HOSE, including Vingroup (VIC) (VND756.3 billion), Novaland (NVL) (VND33.2 billion), and

PetroVietnam Gas JSC (GAS) (VND24 billion). They were net buyers on the HNX with a value of VND3.08 billion.

"The VN-Index is likely to consolidate in the 1,160-1,180 points range and we recommend investors open short-term positions at some VN30 stocks."

The VN30-Index, tracking the 30 biggest stocks in market value, increased 0.08 per cent to 1,164.64 points. Twelve of the VN30 basket rose, while 17 stocks decreased.

In the VN-30 basket, notable gainers were Vietinbank (CTG), PetroVietnam Gas JSC (GAS), Masan Group (MSN), Vietcombank (VCB), Vingroup (VIC), Vietjet (VJC), Bank for Investment and Development of Vietnam (BID) and Phu Nhuan Jewelry (PNJ).

Some other pillar stocks suffered from correcting pressure such as Bao Viet Holdings (BVH), FPT Corporation (FPT), Hoa Phat Group (HPG), Vinamilk (VNM), Vincom Retail (VRE), VPBank (VPB), Mobile World Group (MWG) and Vinhomes (VHM).

On the Ha Noi Stock Exchange (HNX), the HNX-Index lost 0.56 per cent to end Thursday at 267.19 points.

It had lost 1.34 per cent on Wednesday.

More than 114.8 million shares were traded on the northern bourse, worth VND1.6 trillion.

Macro & Policies

2. Vietnam textile industry combats pandemic with PPE switch: Forbes

A surge in demand for personal protective equipment (PPE) from the manufacturing sector in Vietnam due to COVID-19 pandemic, along with the orders that flowed in from around the world helped to buoy the country's important garment-making industry with many manufacturers rejigging their facilities to produce PPE, said an article on the forbes.com website.

The article cited statistics from Vietnam's Ministry of Industry and Trade showing that there are more than 6,000 garment factories and textile mills in the country, and the sector employed some 3 million workers in 2020.

The Vietnamese government had initially restricted the export of goods, such as face masks, to ensure there was an adequate domestic supply to help combat the virus. But once the restrictions were lifted in March of last year, Vietnam's manufacturers exported almost 1.2 billion masks through to December 2020 to North America, Europe and around Asia, it noted.

The article mentioned as an example Vietnam Goods and Exports (VGE) which turned to making cloth face masks.

It quoted VGE founder Anh Tran as saying that he made the decision to switch in early 2020, and sees an ongoing demand for his product.

"Despite vaccines now rolling out, the [Centers for Disease Control] is still recommending people to wear masks because it is a slow rollout, and there are still many at-risk people you can affect or be affected by," he said.

"If vaccines are effective, you will probably see a drop-off in the wearing of masks near the end of 2021, but from now until then, it is still a massive industry that just exploded overnight."

"Vietnam has definitely become a shining star in the global PPE trade in 2020 because prior to that most PPE was manufactured in China or the United States," he added.

3. Slow reopening of borders may hamper Vietnam tourism outlook: TAB

A slow reopening of borders for international tourists may hamper Vietnam's tourism outlook, as such, the Tourism Advisory Council (TAB) called for the government to gradually allow foreign entry without quarantine.

"Given the mass vaccination programs rolled out in many countries, a number of neighboring countries like Thailand and Singapore are putting in place policies to reopen borders for international tourists on the condition of having vaccine passport or certificate of vaccination against Covid-19," stated the TAB in a letter sent to Prime Minister Nguyen Xuan Phuc.

The TAB, however, stressed its full support for the government's stance of not sacrificing public health for economic benefits.

"As such, any reopening should be carried out in phases," noted the TAB, adding Vietnam should

engage in negotiation with countries of low Covid-19 risks, as well as work out requirements for vaccine passport, Covid-19 testing before and after arrival.

"The government should request mandatory travel insurance, including that of Covid-19, for all foreign tourists coming to Vietnam and Vietnamese traveling abroad," it added.

The TAB also acknowledged the fact that any reopening should depend on the vaccination progress in Vietnam and in the country's major source markets, as well as capacity to receive international tourists.

According to the TAB, travel season in near markets such as South Korea, Japan and Taiwan starts from July to September, and in Europe, Australia, Russia from October to March.

“It would be ideal for Vietnam to gradually reopen from the third quarter of this year,” the TAB asserted.

“For higher competitiveness against regional countries, Vietnam should adopt an open visa policy, including the resumption of 30-day visa exemption and adding Australia, New Zealand, India, and Europe to the list.”

At a recent government meeting, Prime Minister Nguyen Xuan Phuc instructed related government agencies to review TAB's suggestion for the reopening of borders amid the Covid-19 pandemic.

Meanwhile, the national flag carrier Vietnam Airlines has given an early sign of returning to normal operation by applying for direct flight to the US.

The move is aimed at repatriating Vietnamese citizens and later to start operating commercial flights from 2022.

Since last May, Vietnam Airlines had conducted 12 flights to bring home Vietnamese in the US, but the demand for returning remains huge.

4. Strong bonds with South Korean partners for deeper integration

The Vietnam Technology Advice and Solutions from Korea Centre (VITASK) will likely sign an MoU by the end of this month with departments of industry and trade, as well as industrial zones (IZs), to open up investment opportunities for businesses from the two parties.

The members of the supporting projects – Korea Electronics Technology Institute, Innovation Tech Lat, Korea Polytechnic University, and Innovative Technology Lat – will also sign similar deals with authorities and IZs in South Korea.

The agreements will help to reinforce the role of VITASK in investment promotion, along with the task of having a deep and thorough supporting programme.

According to Kyoung-Jin An, deputy director of VITASK, the cooperation will bring benefits for all sides. “We will introduce South Korean to invest in Vietnam, while simultaneously cooperating with departments and IZs to implement investment promotion programmes. Besides that, we will also connect Vietnamese businesses that want to penetrate the South

Korean market with local partners,” he said. “Regarding VITASK, the centre will be more convenient in approaching businesses, which have demand on supporting industries. In addition, it will help to improve the centre's presence in both Vietnam and South Korea.”

After the first appraisal round of around 40 dossiers, VITASK selected 24 local suppliers to visit manufacturing facilities for the first time. The representatives of centres will visit these suppliers for a second time during the next months to select the final 16 eligible candidates.

“The scheme of this supporting programme was expected to be implemented in March, however, it will be delayed to May due to the impacts of the pandemic,” An explained. “According to the initial plan, we will select 12 candidates for the first phase. However, now the figure increases to 16 with the expectation of supporting more suppliers.”

VITASK currently cooperates with local authorities to work with the business community, which has the demand on technical support, but faces difficulties in approaching them.

“We hope to receive support from the government and relevant authorities to find suitable local suppliers, so that we can effectively implement the project,” An said.

Cooperating with South Korean ministries to establish the VITASK programme is a part of the Vietnamese government's approach to help local suppliers improve their competitiveness.

The Vietnamese government has issued numerous regulations to promote development of local supporting industries, including Decree No.111/2015/ND-CP on incentive policies for

businesses operating in supporting industries; Decision No.68/QD-TTg approving the Supporting Industry Development Programme from 2016 to 2025; the Law on Support for Small- and Medium-sized Enterprises; and Resolution No.115/NQ-CP dated August 2020 on solutions to promote supporting industry development.

The Ministry of Industry and Trade (MoIT) has also been working on an international cooperation project in terms of supporting industries, including the cooperation with Samsung to develop vendors, a scheme with South Korea's Ministry of Trade,

Industry and Energy to train technical engineers, and an additional World Bank project, among others.

Le Huyen Nga, deputy head of the Supporting Industry Division under the MoIT's Agency for Industrial Development said, "Implementing synchronised solutions to support businesses in supporting industries will contribute to improving their competitiveness, improving the productivity and quality of their products, and leading towards smoother entry into global supply chains."

5. Private sector still struggling to gain strength

Some private enterprises have also been great image Vietnam has witnessed only a few merger and acquisition (M&A) deals since the beginning of 2021. Thailand's SCG acquired 70 per cent stake in Duy Tan Plastics while Danish group BioMar scooped up a majority share in Viet-Uc.

Commenting on this trend, Masataka Sam Yoshida, head of the Cross-border Division of RECOF Corporation, said that this situation is just temporary, and a bright future is expected ahead. For instance, Japanese investors have become more cautious than ever after the latest wave of the pandemic in Japan.

Vietnam has been extremely successful in keeping the pandemic under control, but the strict travel restrictions make it difficult for Japanese companies to arrange short-term business travels, which are fundamental and crucial in considering and proceeding with M&A transactions. "Having said that, the rationale for the investment in Vietnam has not changed. Vietnam has much higher growth potential than Japan where the economy is too mature. We are aware that Japanese companies remain interested in Vietnam, even though they are not active at this moment," he said.

According to RECOF's M&A database, the number of outbound transactions from Japan decreased by 33 per cent to 557 transactions in 2020, while the same number in Vietnam declined by 30 per cent to 23. Vietnam ranked sixth as the destination country for Japan among all countries worldwide, and second only to Singapore in Southeast Asia.

Yoshida added, "COVID-19 has been the sole reason for the recent sluggish M&A transactions between Vietnam and Japan, so assuming the COVID-19 will be subdued with the start of vaccinations and the removal of travel restrictions, we are more than confident that the market will recover in the latter half of 2021."

Meanwhile, Vo Ha Duyen, chairwoman of Vietnam International Law Firm, cited data by the Corporate Investment and Mergers & Acquisitions Center showing that the value of M&A deals in Vietnam in 2020 dropped by about a half from 2019. Various factors may have affected such activities, she said – the pandemic has had a significant impact on the global economy and also caused difficulties to dealmaking, while travel bans and lockdowns have hampered M&A due diligences and negotiation meetings.

According to Duyen, the ongoing changes to the laws of Vietnam have also contributed to some uncertainties. Under the new Law on Competition, a substantially higher percentage of M&A deals are subject to merger control filing requirements than under the old laws. Investors initially hoped that the introduction of the 30-day "preliminary review" track to the merger control filing procedure under the new law would help reduce procedural burdens.

Nonetheless, because sub-law regulatory guidance has not been issued, it seems that a majority of filing cases have not seen application of the 30-day preliminary review and have been subject to complex and uncertain evaluations which last for months.

In addition, local departments of planning and investment have had difficulties in applying the new Law on Investment as documents guiding the implementation of the law have not been issued. This could increase cases in which the licensing authorities have to seek opinions from other relevant authorities, which may contribute to delays in the M&A process.

“We hope that new decrees and circulars providing detailed and favourable regulatory guidance will be issued soon to support the competition and investment authorities in dealing efficiently with M&A transactions and to effectively reduce the time gap and uncertainties in the procedures, helping boost the recovery of M&A activities when the pandemic settles down,” Duyen said.

According to Vietnam M&A Forum Research Team, a number of mega deals are expected to be secured in 2021. Foreign investors from South Korea, Japan, Singapore, and Thailand will continue to dominate the market with the value of deals reaching up to \$500 million. At present, Vietnam's M&A market remains attractive to investors despite the impact of the global health crisis – in particular, in the second and third quarter of 2020 Vietnam witnessed more

M&A deals after the country successfully contained the summer wave of infections.

That being said, Vietnam is hopeful about potential for post-pandemic M&A growth. Some experts have forecast that the main sectors that will contribute to the recovery of value in Vietnam are telecommunications, energy, infrastructure, pharmaceuticals, education, and e-commerce.

Yoshida from RECOF said that Japanese companies are concerned with stability of global supply chains. Vietnam is not only competitive as a location for manufacturing, but also it stands at the crossroads in terms of free trade agreements with major economic zones and so is well positioned.

“Additionally, more Japanese companies are paying attention to sustainability and technology innovations, and they are eagerly looking for opportunities to apply their expertise, such as in renewable energy, smart cities, AI, and more in Vietnam, where the people are open to new ideas,” he said. “As for the pandemic, we highly evaluate Vietnam's success in keeping the pandemic under control, and this fact makes the country even more attractive for the Japanese investors.”

6. Ripple effect of US fiscal stimulus to Vietnam's growth

Regarding the former, the size of the latest US fiscal stimulus package is enormous at over 8 per cent of GDP, and most economists expect that the package, which includes \$1,400 stimulus checks to US households, will also boost the economies of countries that have close economic ties with the US.

Canada has the closest economic ties to the US, and the International Monetary Fund estimates that every \$1 of US fiscal stimulus spending also boosts Canada's economy by about \$1. Vietnam is obviously not as closely linked, but the US is Vietnam's largest export market at circa one-quarter of total exports, and Vietnam's overall trade activity is higher than any other country in modern history, so the country should benefit significantly from the US stimulus plan.

The clearest, most concrete evidence that US fiscal spending will benefit Vietnam is included in the economic statistics of both for the first two months of this year, because the US government sent \$600

fiscal stimulus checks to US households at the end of December 2020. Those stimulus checks, which were part of a previous aid package, significantly boosted US retail sales in January. This in turn boosted Vietnam's exports and manufacturing activity since US consumers purchased an enormous amount of products that are made in Vietnam.

For example, sales of electronics jumped by 15 per cent on-month in January, and furniture sales rose 12 per cent on-month. As a direct result of the surge in the sales of those products, Vietnam's exports to the US soared by 35 per cent on-year in the first two months of 2021, and Vietnam's total electronics exports increased 34 per cent on-year.

There are two reasons that so much of the stimulus money US consumers spent was used to purchase products that are made in Vietnam. The first reason is that US consumers are currently unable to spend much of their disposable incomes on services such

as restaurants or cinemas due to social distancing restrictions.

Instead, they are purchasing products (especially ordered online), so the ratio of consumer spending in the US and in most developed countries on goods versus services has surged since the outbreak emerged.

The second reason is that US consumers have been buying so-called “stay at home” goods such as electronics, furniture, and home gym equipment, and many of those products are made in Vietnam.

To illustrate how powerful this phenomenon is, PC sales in the US increased by 15 per cent in 2020 (versus 1 per cent in 2019) and sales of games and hobby items jumped by 19 per cent because consumers are buying products that make spending time at home more enjoyable and/or that facilitate working from home.

The production and export of such goods to the US and other developed countries supported Vietnam's manufacturing sector and GDP growth last year – and looks certain to do so again this year.

Furthermore, foreign-invested companies that manufacture high-tech products in Vietnam import most of the components required to make those

products, and imports of those critical parts/inputs surged by 35 per cent on-year in the first two months of this year. This is a clear indicator that these companies are preparing to ramp up production this year, presumably in response to the increased demand those companies expect from US consumers.

Finally, in 2020 and in the first two months of 2021, the two main drivers of Vietnam's economic growth were consumption and manufacturing. This explains why we expect a direct connection between US fiscal stimulus and Vietnam's GDP growth this year, but strong GDP growth in Vietnam should also support the VN-Index.

However, in addition to directly supporting Vietnam's economic recovery, the US fiscal stimulus package may also indirectly benefit Vietnam's stock market because a significant portion of the money that US households received from the government was invested in the US stock market, according to the NY Federal Reserve.

Many economists believe the massive scale of the US fiscal stimulus will lead to a decline in the value of the US dollar, which would in-turn help boost stock prices in emerging and frontier stock markets like Vietnam's.

7. Việt Nam, ASEAN urged to adopt green manufacturing technologies

Dr Michael Braun, co-ordinator of the Enhanced Regional EU-ASEAN Dialogue Instrument project, told the ‘Cooperating with Europe for Green Manufacturing Technologies’ conference that it is important to promote technological co-operation between the European and Southeast Asian blocs for mutual benefit.

ASEAN countries have emerged as important manufacturing hubs in global supply chains, he said.

“The growing demand for environmentally sound, resource- and energy-efficient products and manufacturing has created a hunger for new green manufacturing technologies.”

With its rich technology and research landscape, innovative enterprises and dedicated green growth

strategies, Europe is a major source of such green technologies, he said.

“Green technologies are key to sustainable new products, services and manufacturing processes, and are essential for realising green growth.”

For ASEAN member states, green technologies will help make the best possible use of their natural and energy resources and protect the health and well-being of workers and consumers.

Hans Farnhammer, head of Cooperation for the European Union Delegation to Indonesia, Brunei, Darussalam and ASEAN, said: “Green production has become the core of sustainable development.”

Prof TAN, Reginald Beng Hee, of the National University of Singapore, said, “Binh Duong Province

is set to become the next destination for green technology transfer.”

Nguyễn Việt Long, director of the province Department of Science and Technology, said comprehensive transport infrastructure and quality human resources play a major role in attracting foreign investors, especially from Europe, with green manufacturing technologies.

The Government needs to invest in improving infrastructure and offer incentives to promote the triple helix model of university–industry–government co-operation, he said.

European Green Deal

Joanna Drake, deputy director of the European Commission's Directorate-General for the Environment, said under the European Green Deal, the EU recognises that climate change and environmental degradation are an existential threat to Europe and the world.

To overcome the challenges, the EU needs a new growth strategy that would transform it into a

modern, resource-efficient and competitive economy in which there are no net emissions of greenhouse gases by 2050, and economic growth is decoupled from resource use, she said.

The Deal aims to make the EU's economy sustainable by turning climate and environmental challenges into opportunities, focusing on investments in green technologies, sustainable solutions and innovative businesses, she said.

It also lays out a path for a sustainable transition that is socially fair and ensures ‘no person or place is left behind’, she said.

The EU therefore supports ASEAN and its member states with initiatives related to climate-change resilience and adaptation, environmental protection, including protecting bio-diversity, and disaster preparedness and response, she added.

The two-day conference that began on Monday is being held as part of the 2021 EU Industry Week organised by the provincial People's Committee and the European Commission.

Corporate News

8. FLC: FLC plans 70 pct capital hike through rights issue

↑ 6.74%

The company will seek shareholders' approval to issue nearly 500 million shares to them at a ratio of seven shares for every 10 they own at a price to be decided.

Most of the money raised will be used for funding eight property projects proposed to be developed including resorts, apartments and a golf course.

FLC shares closed at VND9,790 (\$0.42) on Wednesday on the Ho Chi Minh Stock Exchange, 50 percent up since Mar. 1.

FLC targets a 35 percent increase in post-tax profits this year to VND416 billion.

It fell 56 percent to VND308 billion last year.

9. PNJ: PNJ's profit increases over 11% in the first two months on God of Wealth day

↑ 1.07%

A monthly report from PNJ showed that as of February, the company's net revenue rose 37.4 per cent over the same period in 2020 to more than VND5.01 trillion, mainly on the growth of retail sales and gold bar sales.

Its profit after tax also climbed 11.2 per cent year-on-year to VND380 billion.

Retail revenue posted a gain of 15.9 per cent against last year, according to the report. In February, PNJ carried many products and marketing strategies for Valentine's day and God of Wealth day.

Just on God of Wealth day, sales of jewellery increased by 39.3 per cent, with retail revenue accounting for 52 per cent of its revenue structure.

Wholesales revenue rose 17.1 per cent year-on-year in the first two months of the year, accounting for 12.9 per cent of the revenue structure.

In the same period, revenue from gold bar sales witnessed a gain of 94.2 per cent. This indicator posted a growth of 72.8 per cent year-on-year just on God of Wealth day.

The proportion of revenue from gold bars was up to 31.5 per cent in the company's revenue structure on stronger demand during traditional festivals like Tet and the God of Wealth day.

In the first two months, the gross profit margin was 18.4 per cent, lower than that of the same period in 2020 due to changes in the company's revenue structure.

Meanwhile, as of February, total operating expenses climbed 21.7 per cent year-on-year on more marketing rollouts.

On Wednesday, PNJ shares, which are traded on the Ho Chi Minh Stock Exchange (HoSE), declined 0.12 per cent to VND84,100.

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