



# VIETNAM DAILY NEWS



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## Market Analysis

### 1. Shares gain on strong buying force

Shares continued their gains Tuesday thanks to a strong buying force, supporting the uptrend of indices.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) closed Tuesday at 1,268.28 points, up 0.61 per cent or 7.7 points.

Market breadth was negative as 187 stocks gained while 227 decreased during the session. Liquidity stayed high with more than 843.6 million shares traded on the southern bourse, worth VND23.1 trillion (US\$998 million).

According to Bao Viet Securities Co (BVSC), the VN-Index is expected to test the resistance zone of 1,268-1,275 points in the next few sessions.

“However, this zone will keep putting hard pressure on the market when approaching it. Market movements in this period are likely to be dominated by a few large-cap stocks, along with a strong differentiation between stocks in the market,” BVSC said.

“Investors should reduce the proportion of shares in the portfolio to 35-45 per cent of shares.”

“They should take advantage of the market’s uptrend to consider selling and reducing the proportion of the portfolio, especially when the market approaches the resistance zone around 1,268 and 1,300 points,” the firm said.

The VN30-Index gained 0.49 per cent, or 6.46 points, to finish Tuesday’s trading at 1,312.68 points. Fourteen of the 30 biggest stocks in the VN30 basket increased while 15 declined.

Among the gainers were Bank for Investment and Development of Vietnam (BID), Bao Viet Holdings (BVH), FPT Corporation (FPT), PetroVietnam Gas JSC (GAS), Khang Dien House (KDH), Mobile World Group (MWG), Petrolimex (PLX), Vietcombank (VCB), Vietjet (VJC), Vincom Retail (VRE) and Vinamilk (VNM)

On a sector basis, 10 out of 25 sectors rallied including wholesale, insurance, real estate, IT, retail, banking, food and beverages, logistics and construction.

On the negative side, securities, healthcare, energy, agriculture, rubber production, seafood processing, construction material and spare parts all lost.

On the Ha Noi Stock Exchange, the HNX-Index gained by 0.25 per cent to close Tuesday at 296.48 points.

The northern market index had risen 0.9 per cent on Monday.

More than 160.4 million shares were traded on the northern exchange, worth VND3 trillion.

The market closed yesterday as it was a national holiday.

## Macro & Policies

### 2. Irrational gamble by small banks in trading sessions

#### Risk of price fall

The stock code SHB of Saigon-Hanoi Commercial Joint Stock Bank has continuously been increasing and now has suddenly soared to VND 28,500 per share in the day sessions from less than VND 16,000 per share in the trading session on 10 March. With an increase of up to 80% in less than a month, SHB not only established a historic peak but also became the focus of GSO during this period.

In these sessions, SHB liquidity pushed up very high, with tens of millions of shares transferred in each session. It was this huge demand that helped SHB to have impressive reversal moments, being traded at a sudden drop at ceiling price, with the order to buy millions of shares pushed up at the same time. For example, on the 26 March session nearly 80 million shares matched, equivalent to VND 1,520 bn.

Previously, more than 1.2 billion shares of SSB or Southeast Asia Commercial Joint Stock Bank, also had a wave of rapid increases of 20% on 24 March on HOSE, from reference price of VND 16,800 per share to VND 20,150 per share. Immediately after that, SSB continued to have a series of increases and surpassed the peak of VND 28,000 per share in the session on 31 March. Thus, after only six sessions, SSB recorded an increase of nearly 70%. Although SSB is just a rookie, SSB liquidity is huge with millions of shares traded per session.

Similarly, BAB or North Asia Commercial Joint Stock Bank, moved to list from UPCoM to HNX at reference price of VND 16,000 per share, and increased by 30% right in the session on 12 March, to VND 20,800 per share. The streak of BAB continued to last for many successive sessions, helping this stock to surpass the level of VND 36,000 per share in the session on 12 March. Thus, within only eight sessions, BAB recorded an increase of approximately 130%.

The increase in sessions of the above two stocks caused missed shareholders to decide to pour in money to collect the banking codes with prices below VND 20,000 per share, equivalent to the starting point of SHB. In the opinion of investors, if SHB and SSB go up to nearly VND 30,000 per share,

banks with the same starting point cannot have prices below 2.0 but must have an equivalent price.

With this thought, investors did not hesitate to pour capital into many bank shares. In particular, two banking codes, STB of Saigon Thuong Tin Commercial Joint Stock Bank, and EIB of Vietnam Export-Import Commercial Joint Stock Bank, increased to the limit due to huge demand from investors. On 30 March, STB created a liquidity record with nearly 100 million shares transferred, equivalent to a value of VND 2,000 bn.

#### Unreasonable increase

The fact that SHB suddenly reached its historical peak surprised the stock market because it seemed to have no information outside of its 2021 business plan, with pre-tax profit growing 70% year-on-year. Meanwhile, SHB is facing risks stemming from too fast capital gains in the past. Since 2015, SHB chartered capital has nearly doubled, from VND 9,486 bn to VND 17,558 bn, of which, in the first three quarters of 2020, SHB issued an additional VND 5,552 bn. Capital scale increased rapidly in a short time, while business efficiency increased slowly, and not commensurate with the net profit margin (NIM) of only about 2.8%, but much lower than the industry average of 3.84%.

Although SHB 2021 profit story is still quite vague, for investors this is easier to understand than the case of STB and EIB. STB received less positive information related to the pledge of STB to secure the loan, with the debt balance likely to lose the capital of nearly VND 1,900 bn. Specifically, KLB has cooperated with customers to handle all collaterals related to their loans to a group of customers with collaterals of 176 million shares of STB. As for EIB, the best news comes from the proposed amendment of the regulations to organize the annual shareholders meeting. EIB is currently the only bank unable to hold the 2020 shareholders meeting due to insufficient attendance.

#### Investors suspicious

The fact that BAB doubled its price after being listed on the HNX is an unusual and equally mysterious

phenomenon. Earlier at the end of 2017, BAB had quietly put 500 million shares to list on UPCoM with a starting price of VND 20,000 per share. BAB listing price surprised investors at that time because it was 1.62 times higher than the book value of VND 12,318 per share, even higher than that of major listed banks at that time. However, despite the suspicions of investors, BAB still increased strongly after being listed, and there was a time when this stock increased to nearly VND 29,000 per share.

Although this rising wave of BAB took place during the time when bank stocks attracted cash flow, it was still questioned by investors because the business activities of BAB were very weak compared to other listed banks. According to the financial statements of 2020, the pre-tax profit of BAB was VND 737 bn, down by 21%. The decrease was mainly due to the sharp increase in the cost of provisioning while the net interest income grew weakly.

Notably, BAB's NPL at the end of 2020 was VND 628 bn, an increase of 25.6% compared to the beginning of the year, and the ratio of NPLs to outstanding

loans increased from 0.69% at the end of 2019 to 0.79%. As in the past, the stockholder structure was too condensed and had no major shareholders owning more than 5% of the shares, which was too easy to drive the price of BAB shares.

The rising wave of SSB is also being questioned because the bank shareholder structure is almost similar to BAB. Concentrated shareholder structure is also the reason why SSB liquidity has not increased, especially during ceiling hitting sessions. With this feature, according to analyst forecasts, when the bank waves pass, SSB and BAB will be the first bank stocks to lose liquidity.

On the contrary, investors holding shares of SHB or STB are not too worried about liquidity, but face a huge risk of price decline when stocks enter the adjustment phase. Investors holding SHB shares will not forget the 5 April session. From reference price of VND 27,000 per share, this stock suddenly dropped sharply to floor price of VND 24,300 per share, when the holder suddenly launched an order to sell millions of shares at floor price.

### **3. Legislative urgency for solar project development**

In late January, the Ministry of Industry and Trade (MoIT) issued a draft decision guiding the selection of investors implementing solar power projects under the bidding mechanism. Since the prime minister's Decision No.13/2020/QĐ-TTg dated April 6, 2020 on mechanisms to promote development of solar power in Vietnam applies to grid-connected projects with commercial operation date (COD) by December 31, 2020 only, it is expected that the draft will soon be finalised and become effective, so solar energy developers as well as relevant government authorities can have guidelines for projects with COD from 2021 onwards.

According to the draft, the decision would be applicable to projects with grids connected directly to the national power network. Every two years, the MoIT shall issue a price framework for electricity generation in order to determine the ceiling price for bids to select investors of solar power projects with COD in the next two years. There are four notable points in the draft. First is the applicable solar power purchase price, which is the price for the connection

point proposed by the winning bidder/investor in the bidding dossier (excluding VAT).

Second is the adjustment to the investment schedule. If the investor is permitted to adjust the investment schedule and the project's COD occurs after the commitment date stated in the bidding documents, the applicable electricity price of the project is the electricity selling price specified in the first point above with a cumulative reduction rate of 4 per cent for every 90 days of delay in investment schedule. Project delay time must not exceed 12 months.

The third notable point is the bidding procedure itself. People's committees of localities are to publish the bidding dossiers, and investors are to submit a bid which includes a technical proposal and a power price proposal. Bid opening will be conducted twice, with the technical proposal to be opened right after the deadline for submission of bids, and investors who satisfy technical requirements will have their power price proposals examined for evaluation.

Last is the bidding guarantee. Investors must apply a bid security measure, which is equal to 0.5 per cent of the total project investment, before the bid is closed.

The MoIT is to coordinate with Vietnam Electricity and the people's committees of localities to organise and approve the plan for development of renewable energy sources for a period of five years as well as every two years as per the plan. The plan shall be used as a basis for the selection of investors, regulation of local solar power projects, and construction of power transmission systems, among others.

Within six months of the 2-year plan being approved, the people's committees of the provinces must complete the plan to select investors to develop solar power projects in their localities for the coming two years.

Once the draft comes into effect, the feed-in tariff mechanism will no longer apply to solar energy projects. The MoIT has proposed that the same strategy is to be executed for wind power projects after 2023. The employment of a bidding method will enable the selection of capable developers through transparent procedures in order to eliminate the quiet prevalent issue of projects running behind schedule for years.

The Vietnamese government has continuously promoted the development of renewable energy sources as a feasible and effective solution to counter the country's ongoing power shortage issue. This is because renewable energy projects can be constructed quickly and promptly for operation in the period of 2021-2023, while taking advantage of the country's natural potential without relying on imported fuels, and while also being eco-friendly.

#### 4. Transport Ministry proposes support policies for Vietjet, Bamboo Airways

The ministry has proposed the Government consider policies and solutions to support enterprises in the transport sector, including air carriers, Tien Phong newspaper reported.

Accordingly, the ministry proposed the prime minister direct the State Bank of Vietnam to weigh the proposals of aviation firms on credit support.

The ministry suggested extending the period for halving take-off and landing prices as well as flight operation service fees for departures and arrivals of domestic flights, and continuing to apply a minimum fee of zero Vietnamese dong on specialized aviation services until the end of this year.

To date, the Government and the National Assembly have agreed to offer VND4 trillion with preferential interest rates for only Vietnam Airlines.

After that, Vietjet and Bamboo Airways, despite reporting profits in 2020, proposed the Government provide them with financial aid packages such as the one granted to Vietnam Airlines.

Specifically, Vietjet asked for loans of VND4-5 trillion for the 2021-2023 period with an interest rate of 4%.

Meanwhile, Bamboo Airways sought loans of some VND10 trillion, including loans worth VND5 trillion with preferential rates offered by commercial banks and VND5 trillion without interest rates under the refinancing form.

According to the Vietnam Aviation Business Association (VABA), although private air carriers posted consolidated profits, they incurred losses in their air transport activities, with total losses reaching over VND18 trillion.

This year, the aviation market will continue facing difficulties as the number of domestic passengers has fallen, especially during the Tet holiday, and the international network has yet to be reconnected. Therefore, airlines may continue suffering losses of over VND15 trillion this year and face a high risk of cash exhaustion, according to VABA.

The association also proposed the Government work out solutions to help airlines enjoy a 2% reduction in the interest rates of their current loans and extend the payment deadlines for loans in 2020-2021.

In addition, the environmental protection tax on jet fuel should be reduced to VND900-1,000 per liter until the end of this year.

## 5. FDI attraction not yet sustainable: Insider

Foreign direct investment (FDI) poured into Vietnam during the first quarter of 2021 increased compared to the same period last year despite complex developments of COVID-19, which was a relatively positive result but is not sustainable, an insider has said.

In Q1, the country attracted 10.13 billion USD in FDI, up 18.5 percent year-on-year. Of the figure, 4.1 billion USD was disbursed, rising 6.5 percent.

Nguyen Van Toan, Vice Chairman of the Vietnam Association of Foreign Invested Enterprises, told the Cong Thuong (Industry & Trade) newspaper that foreign investment is yet to be sustainable since growth was concentrated in March, with nearly 5 billion USD registered.

He highlighted a liquefied natural gas-fuelled power plant worth 3.1 billion USD invested by Singapore in the Mekong Delta province of Long An. This major project was granted an investment registration certificate on March 19, providing a strong boost to FDI inflows in March and Q1 as a whole.

In addition, most investment during the period still came from traditional partners like Singapore, the

Republic of Korea, Japan, and China, while that from the US and Europe remained modest. Given this, there weren't any breakthroughs in FDI flows during the first three months, he went on.

Considerable improvements have been recorded in FDI disbursement, Toan noted, with disbursed capital increasing each year, from 12.5 billion USD in 2014 to 20.3 billion USD in 2019 and then 19.98 billion USD in 2020 despite the pandemic.

However, he also pointed out that total registered FDI in Vietnam has to date reached 388.8 billion USD, but only 234.36 billion USD or 60.2 percent has been disbursed. Disbursed capital in Q1 accounted for just 40 percent of registered investment.

It is disbursed capital, not registered capital, that shows FDI is flowing into the economy, according to Toan.

To narrow the gap between registered and disbursed capital, he suggested, the Government, ministries, sectors, and localities should adopt more effective and stronger solutions in the time ahead.

## 6. Firms to get help to expand rice export markets

The ministry would implement solutions on mechanisms and policies to remove technical and trade barriers, internalise international commitments, customs procedures, logistics and credit as well as building and developing brands to create a premise for rice export enterprises to exploit the markets, said Tran Quoc Toan, deputy director of the Import and Export Department under the Ministry of Industry and Trade.

For rice exporters as well as farmers, Toan noted the need to be more proactive in improving the competitiveness of products through quality and price as well as building and protecting trade to diversify markets towards sustainable exports.

The Ministry of Agriculture and Rural Development reported the volume of rice exported reached 450,000 tonnes with a value of US\$246 million last month.

The cumulative amount of rice exported in the first three months of this year rose 1.1 million tonnes, while the value hit \$606 million, down 30.4 per cent in volume and 17.4 per cent in value over the same period last year.

Nguyen Van Don, director of Viet Hung Co., Ltd in the Cuu Long (Mekong) Delta province of Tien Giang, said that the reason for the decline in rice exports

was partly as the first quarter of this year coincided with the Lunar New Year holiday.

In addition, the first two months of the year were between-crop periods when the rice supply was limited while the price was high, so it was difficult for businesses to negotiate export contracts.

Although the company's rice export volume declined by more than 30 per cent over the same period for the first three months of the year, the export rice price rose by about 20 per cent. The two largest import markets are still the Philippines and China.

Meanwhile, Pham Thai Binh, general director of Trung An High-Tech Farming JSC in the Cuu Long (Mekong) Delta city of Can Tho, said that the first quarter's rice export dropped significantly in volume due to a shortage of empty containers and soaring freight rates.

“Customers still need to import, but enterprises cannot order containers to pack their goods, the shortage of empty containers has pushed freight rates up 600-700 per cent, from \$1,000 to \$6,000-7,000 per container. With this rate, not only rice exporters but also other firms are facing difficulties. This situation means the importer had to consider delaying the time of receiving the goods or looking for closer sources to reduce costs,” said Binh.

Commenting on this issue, Toan said that although the amount of rice exported in the first quarter of

this year declined compared to the same period last year, the price of rice for export grew due to high demand for food reserves around the world, which has pushed up the general level of world rice prices.

Thai and Indian rice prices have also hit record highs in recent years.

Viet Nam's rice price continued to remain at a high level of \$547 per tonne by the end of the first quarter of this year, up 18.6 per cent, equivalent to an increase of \$86 per ton compared to the same period last year. The current price of rice has been and is benefiting the rice farmers.

Vietnamese rice was being purchased by importers at high prices due to the improved quality of Vietnamese rice, said Toan.

Vietnamese rice exporters were increasingly focusing on improving quality and traceability to meet the strict standards of export markets such as the EU, South Korea, and the US, Toan said.

In addition, Viet Nam has entered into many trade agreements with many strategic countries and regions such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Viet Nam Free Trade Agreement (EVFTA) and more recently the Regional Comprehensive Economic Partnership (RCEP) and the UK-Viet Nam Free Trade Agreement (UKVFTA).

## 7. Domestic electronic firms urged to enhance capacity, improve linkage with FDI

Viet Nam was now home to factories of a number of global technology giants such as Samsung, LG, Canon and Intel with investment sums worth billions of dollars.

The country recently emerged as a top destination for FDI in the global production shift.

Oppo was planning to build a plant in the northern province of Bac Ninh while Lenovo was also studying the opportunity for a plant in Bac Ninh or Bac Giang.

Although Apple has not announced plans to assemble iPhones in Viet Nam, many of their

partners were increasing the production of components in the country.

Foxconn invested in a project producing iPads and MacBooks worth US\$270 million in Bac Giang three months ago and planned to expand production in the country with a goal of reaching revenue of \$40 billion in the next three to five years.

According to Tran Thanh Hai, Deputy Director of the Import-Export Department under the Ministry of Industry and Trade, there was a significant change in the electronics industry in recent years that Viet Nam had original design manufacturers (ODMs).

Still, the electronics industry of Viet Nam was still dominated by the FDI sector.

Although Viet Nam was one among 12 of the largest electronics exporters in the world and top three in ASEAN, 95 per cent of the country's electronics export came from FDI enterprises.

Do Thuy Huong from the Viet Nam Electronic Industries Association said it was necessary for Vietnamese firms to cooperate with FDI enterprise to establish value chains in the electronics industry.

Three factors must be in place to be able to become suppliers of global technology giants – quality, on-time delivery and reasonable price, she said.

According to Viet Nam Industry Agency, the capacity of domestic electronics enterprises remained limited, while the product quality and design had not met market demand.

There were emerging names recently, such as Bphone, Vsmart and Viettel, but foreign names were still dominant.

The local procurement rate was also low, only at around five to 10 per cent. Electronic products in the Vietnamese market were mainly imported or assembled from imported components.

Some companies managed to participate in the industry's supply chains but most could only supply products of low value and technology content.

The Viet Nam Industry Agency said that domestic electronic enterprises must improve their capacity to be able to participate in the supply chains of the FDI enterprises as well as being able to take advantage of opportunities arising from new-generation free trade agreements.

Support should be provided to selected enterprises that take the role in promoting the development of the electronics industry, the agency said.

Besides solutions to expand markets, enterprises should focus on identifying their core products and strengths to create breakthroughs.



## Corporate News

### 8. VNM: Vinamilk leaps six spots in world's top 50 dairy producers

↑ 3.33%

The Vietnam Dairy Products Joint Stock Company (Vinamilk) has moved up six places from 42nd to 36th in the Top 50 by Total Sales in Dairy Product Processors (Global), according to the rankings announced by UK-based Plimsoll Publishing Ltd.

With total revenue of more than 59.7 trillion VND (nearly 2.6 billion USD) in 2020, Vinamilk was the only dairy producer in Southeast Asia to enter the Top 50.

Top 10 named businesses from the US, New Zealand, Europe and China.

The Vietnamese dairy firm entered the Top 50 for the first time in 2017. In 2020, thanks to its rational strategies to respond to the COVID-19 pandemic, Vinamilk posted robust business results, with earnings surging 5.9 percent from 2019, and 17 percent from 2017.

In the past time, an array of new products have been introduced to Vietnamese consumers, including high-grade Vinamilk Green Farm fresh milk – a product made of fresh milk sourced at Vinamilk's Green Farm, Vinamilk UHT fresh milk with bird's nest and Fruit Love.

Thanks to its high-quality products, Vinamilk has been among top three most chosen fast-moving consumer goods (FMCG) brand owners in both urban and rural areas for the 8th consecutive year, according to the Kantar Worldpanel's Asia Brand Footprint 2020.

Along with affirming its prestige in the domestic market, Vinamilk has won the taste of consumers in 56 countries and territories. To date, it has shipped more than 2.4 billion USD worth of dairy products abroad.

Vinamilk has invested heavily in its international-standard dairy farms. The firm is now owning 13 dairy farms in Vietnam, and an organic milch cow farming resort complex in Laos.

Earlier this year, Vinamilk introduced the first eco-farm system in Thanh Hoa, Quang Ngai, and Tay Ninh provinces, with tens of thousands of cows. At the farm, the natural groundwater is considered "the source of nourishing life" as it is the water supply source for plants, grasslands and corn, helping to create eco-detention basins and keeping the air cool and fresh.

### 9. BSI: Announcement of trading switch to HNX

↓ -1.66%

On April 16, 2021, HOSE issued Announcement No.760/TB-SGDHCM regarding the transfer of trading to Hanoi Stock Exchange (HNX) as follows:

- Listed firm: BIDV Securities Joint Stock Company
- Stock code: BSI
- Stock type: common stock
- Par value: VND10,000

- Charter capital: VND1,220,700,780,000.
- Number of shares listed: 122,070,078 shares
- Number of shares for trading switch: 122,070,078 shares
- Last trading date on HOSE: April 28, 2021
- Purpose: to switch transactions to HNX as guided in Official Dispatch No.713/UBCK-PTTT dated March 03, 2021 by the State Securities Commission.

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