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Market Analysis

1. Shares plunge to two-month lows due to massive sell-off

Shares collapsed on Thursday, falling to two-month lows as a series of large-cap stocks plunged to their floor prices, suffering strong selling pressure throughout the trading session.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) closed Thursday at 1,227.82 points, falling by 3.19 per cent or 40.46 points.

Market breadth was negative as only 80 stocks gained while 365 decreased during the session. Liquidity stayed high with more than 770.4 million shares traded on the southern bourse, worth VND20.7 trillion (US$898 million).

The VN30-Index dropped 3.13 per cent, or 41.15 points, to finish Thursday's trading at 1,271.53 points. Twenty-eight of the 30 biggest stocks in the VN30 basket decreased while none increased.

Market sentiment worsened on Thursday and investors became more cautious due to massive selling pressure, said financial news website vietstock.vn.

The worst performers were Masan Group (MSN), Vincom Retail (VRE), SSI Securities CO (SSI), Orient Commercial Bank (OCB) and Petro Viet Nam Ca Mau Fertilizer JSC (DCM), which all hit the daily decline limit of 7 per cent.

Banking and securities stocks also sank deeply, including Vietinbank (CTG), VPBank (VPB), Techcombank (TCB), Tien Phong Bank (TPB), HDBank (HDB), Military Bank (MBB), Asia Commercial Bank (ACB) and Bank for Investment and Development of Viet Nam (BID), SSI Securities (SSI), HCM City Securities (HCM), Vietinbank Securities (CTS), Agribank Securities (AGR) and BIDV Securities (BSI).

Real estate and construction were sold strongly with many stocks falling to the floor prices such as the HCM City Infrastructure Investment Joint Stock Company (CII), Dream House Investment Corporation (DRH), Construction firm FECON Corporation (FCN), Hoang Quan Consulting-Trading-Service Real Estate (HQC), Kinh Bac Urban Development Joint Stock Co (KBC), Tan Tao Investment & Industry (ITA), Licogi 16 (LCG) and Sai Gon Thuong Tin Real Estate JSC (SCR).

Steel, oil and gas stocks also performed poorly.

On a sector basis, 24 of 25 sectors on the stock market lost ground including wholesale, insurance, real estate, IT, retail, banking, food and beverages, logistics and construction, securities, energy, agriculture, rubber production, seafood processing, construction material and spare parts.

They all decreased between 0.16 and 5.45 per cent.

On the Ha Noi Stock Exchange, the HNX-Index lost by 3.18 per cent to close Thursday at 287.04 points.

Nearly 180.5 million shares were traded on the northern exchange, worth VND3.7 trillion.

The market closed Wednesday on the occasion of the Hung Kings Memorial Day.

Macro & Policies

2. Medley of factors spur property-buying spree

In this first quarter, land price rises were experienced across various provinces and cities, in the range of 30-50 per cent. Cities and provinces neighbouring Hanoi and Ho Chi Minh City have witnessed a significant increase, usually up to as much as 50 per cent.

“Low interest rates, an improving domestic economy, the rising popularity of urban lifestyle, and glittering appeal of industrial property as well as potential infrastructure projects have significantly spurred property buying across the nation in the past few years,” explained State Bank of Vietnam's (SBV) Deputy Governor Dao Minh Tu.

The price hikes from north to south have attracted large amounts of cash flow. As of mid-March, real estate credit increased by 2.13 per cent, higher than the banking sector's credit growth rate of the whole system (2.04 per cent). However, the SBV noted that real estate credit increased tremendously at a limited number of banks.

Both foreign-invested and local lenders are also trimming their interest rates to cash in on the increasing mortgage demand, illustrated in the cases of Shinhan Bank, UOB, and Standard Chartered. For instance, UOB reduced its rates from 8.7 to 6.49 per cent annually, while Shinhan Bank cut its annual rates from 6.7 to 6.3 per cent.

Some market watchdogs believed that, in the short term, the economic downturn has pushed investment capital flows out of manufacturing, tourism, and services sectors, which could find their way to the real estate industry. In the long run, real estate will be consistently placed high on the investment portfolio of individual and institutional investors, as its glitter of offering physical shelter and value stand the test of time.

Deputy Governor Tu of the SBV noted that the central bank has kept a firm hand on capital flows into the real estate sector due to their risky nature. Accordingly, credit pouring into the real estate sector has been gradually reduced during the last three years, especially in 2020 due to the pandemic. This ratio had grown by 11.89 per cent, compared to 26 and 28 per cent in 2018 and 2019, respectively.

In the first three months of this year, credit had grown by 3 per cent against the end of 2020, nearly equal to the normal ratio of 2.93 per cent in general.

“The figures show that the SBV is keeping a tight grip on the real estate loans, especially the flow into the high-end and hospitality segment,” Tu said.

Specifically, the central bank has set limits and safety ratios in banking operations to gradually reduce the ratio of short-term capital reserved for medium- and long-term loans and apply higher risk ratios for the loans of high value house buyers, aiming to direct credit flows into medium- and low-cost and social housing which are in major need of the end-users.

On the same note, commercial lenders are also taking a cautious approach to the real estate sector.

According to Nguyen Dinh Tung, general director of OCB Bank, when granting credit quotas to lenders, the SBV also guides the orientation of pouring capital into five priority areas. The portfolio of loans for securities and real estate, which are considered as risky sectors, has been strictly curbed accordingly.

Nguyen Hoang Linh, general director of MSB, said that by the end of the first quarter of 2021, the bank's real estate loan proportion was only about 11 per cent of its total outstanding loans, much lower than 21 per cent in 2019.

Nguyen Thanh Do, vice chairman of HDBank's board, stated that the real estate loans account for around 19 per cent of the total outstanding loans of the whole economy.

“Commercial banks are now becoming well-equipped to make it through the real estate bubble. Besides the SBV's tightening regulations in this regard, each lender should implement its own legal corridor to set a loan ceiling ratio in this risky sector, which is in line with its financial health,” Do suggested.

Notwithstanding, the credit on the real estate market is not the main reason for the land price hike, and the stricter tightening of real estate credit cannot halt the increasing price, cited the SBV.

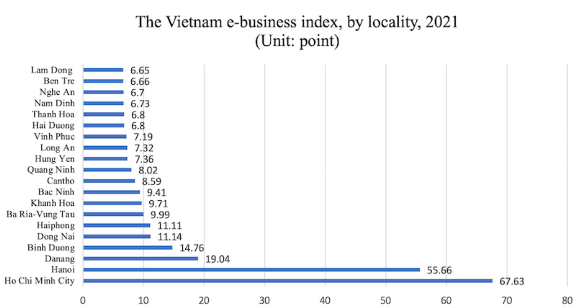
Even credit has increased slightly again, and not signalled any abnormal signs. Amid the turmoil of the real estate market in 2011-2012, credit for the real estate sector accounted for 40 per cent of the total outstanding loans of the whole system.

"Real estate-linked credit is not a major foundation for the land price hike. Real estate-related firms are hunting for more cash through various channels, such as corporate bonds, remittances, foreign direct investment, and mergers and acquisitions," said Deputy Governor Tu.

Nguyen Tu Anh, general director of the Department of Economics Affairs at the Party Central Committee's Economic Commission noted, "The main reason for the land price hike stems from the announcement of future plans for infrastructure, industrial parks, and new construction. Thus, tightening real estate credit would not be the magic pill to stop the feverish excitement in land.

3. Hanoi, Ho Chi Minh City lead Vietnam e-business index 2021

Hanoi and Ho Chi Minh City continue to lead Vietnam e-business index 2021 (EBI 2021), according to the latest report released on April 20 by the Vietnam E-commerce Association (VECOM) in Hanoi.



E-commerce gap

Ho Chi Minh City leads the e-commerce index with a total score of 67.6 points, followed by Hanoi with a total score of 55.7 points, the central city of Danang with 19.04 points, the southern province of Binh Duong with 14.76 points and the southern province of Dong Nai with 11.14 points.

The e-commerce gap between two biggest cities (Hanoi and HCM City) and other provinces remained unchanged. The northern port city of Haiphong was relagated from the third position to the sixth in the e-commerce index this year.

The Vietnam E-business Index (EBI) in 2021 was based on three key criteria: human resources and infrastructure in information technology, e-commerce transactions between enterprises and consumers, and among businesses.

According to the VECOM, the government-to-business transactions criteria was removed from the EBI because the e-government gap between localities is narrowed. Since 2020, e-government has strongly developed in provinces/cities, many online public services related to e-commerce have been launched at local level.

The report on EBI from 2016 up to now showed that there is a huge disparity in the e-commerce sector between Hanoi, HCM City and other localities. During this period, Hanoi and HCM City have continuously accounted for 70% of the national e-commerce scale.

In 2019, the VECOM adopted a fast and sustainable e-commerce development strategy with the desire to help localities narrow the gap and create a larger market for online businesses.

"In 2020, many localities had taken positive moves to gradually narrow the gap and we predict the 2021-25 period is time of the rapid e-commerce development in the provinces and cities," said Nguyen Binh Minh from the VECOM.

Steady e-commerce growth until 2025

According to a survey of about 5,000 VECOM member, in 2020, the country's e-commerce increased by about 15%, reaching a turnover of about US$13.2 billion. The value is predicted to continue growing steadily in 2021 and until 2025.

"The Covid-19 pandemic has exerted a great and comprehensive impact on the economy - society, including e-commerce," VECOM Chairman Nguyen Thanh Hung said. "Overcoming difficulties, e-commerce still stands firm, even has a breakthrough in some areas when Covid-19 has changed consumption and shopping habits."

Businesses have also become more active in information technology application, changing organizational structure and business activities, accelerating digital transformation, training human resources, and making good use of online platforms for internal operations and connecting with customers, Hung said.

Being of the same mind, Trinh Khac Toan, a representative from Amazon Global Selling Vietnam also shared some information such as the proportion of e-commerce is increasing strongly because the growth of online retail sales in the world increased by 22% in the past five years, which is projected to be above 20% in 2021.

In fact, more and more Vietnamese businesses are opening stores on the Amazon e-commerce platform to find distributors and connect with hundreds of millions of consumers around the world

4. Prices of steel, cement continuously escalate

Particularly, the price of steel coil is at VND16,000 per kilogram, depending on the brand.

According to the Vietnam Steel Association, the prices of steel increased as the prices of raw materials for steel production unexpectedly jumped in the global market. Experts forecasted that this year, domestic steel demand would rose by 3-5 percent compared to last year as large-scale infrastructure projects have been implementing, such as the North-South Expressway, the Trung Luong – My Thuan – Can Tho Expressway, and Long Thanh International Airport.

Similarly, since mid-April, several cement enterprises have raised their prices by VND30,000-VND40,000 per ton, included value-added tax, depending on the brand. Cement manufacturers explained that the costs of input raw materials continuously surged, causing the product price to go up.

5. Foreign firms hold 95% of Vietnamese electronics export value

The Ministry revealed that the average growth rate of Vietnamese electronics exports throughout the 2010 to 2019 period hit over 50%, with exports in 2019 reaching more than US$87 billion.

By the end of the first quarter of the year, the electronics sector was ranked among the key industries with export turnover reaching over US$5 billion, of which the export of phones and components enjoyed an increase of 9% to US$14.1 billion on-year, while computer and component exports rose by 31% to US$12 billion.

Despite this, up to 95% of the export value of the electronics industry belonged to foreign-invested enterprises (FDI) during the reviewed period, with the export value of telephones and components accounting for over 99% of the total, while electronics, computers, and components made up 98%.

Experts indicate that these inadequacies can be attributed to the electronics industry's low localisation rate of between 5% and 10%, adding that the majority of electronic products within the Vietnamese market are CBU (complete built unit) imports, or alternatively assembled domestically from imported accessories with low technological content.

Furthermore, several reputable domestic electronics firms have been slowing down, with their brands gradually fading away recently, while emerging local brands such as Vsmart, Vietel, and Bphone are facing fierce competition from foreign brands.

Representatives from the Vietnam Industry Agency indicate that the capacity of domestic enterprises remains limited due to their product quality and designs not sufficiently meeting the market's high demand, while there remains weak connectivity between FDI enteprirses and multinational corporations.

Despite this, through a number of co-operative projects alongside FDI enterprises, domestic firms have shown great efforts in improving their product quality and competitiveness as they join the supply chains of FDI businesses.

At present, there are four Vietnamese enterprises which are participating in Panasonic's supply chain, with its value accounting for approximately 10% of the group's production input value, while Canon Vietnam has continuously sought Vietnamese suppliers in order to increase its localisation rate.

The Vietnam Industry Agency proposed that the Government take measures to protect the electricity and consumer electronics market, fine-tune the legal framework on the rules of origin for Vietnamese goods, while simultaneously devising support policies for a number of promising domestic enterprises within the electronics sector.

Experts have therefore advised businesses to identify their core product segments whilst paying close attention to the general trends occurring globally in terms of consumption and technology development as they prepare to launch highly-competitive products in the future.

6. M&A appetite robust in textile and garment sector

Nguyen Thi Tuyet Mai, general secretary of the Vietnam Textile and Apparel Association, said that foreign investors are purchasing shares and making capital contributions into Vietnamese textile companies to capitalise on the global textile and garment market. Given the impact of COVID-19 and their long-standing weaknesses, several Vietnamese textile enterprises are struggling, setting them up as potential M&A targets.

At present, Vietnam is home to 7,000 textile and garment companies. Over 80 per cent of whom are small- and medium-sized enterprises limited by a lack of capital, technology, skilled workforce and good governance. Meanwhile, foreign-invested companies are equipped with modern technology, experts, strong financial capability, and have a stable market for their projects.

Meanwhile, Vu Kim Hanh, chairwoman of the Vietnam High-Quality Goods Association said that Vietnamese textile and garment firms have yet to catch up with the digitalisation trend. Many are confused about digital marketing and online sale. Due to their small scale, local firms cannot fulfil large orders. They remain weak in design and branding, making it difficult to increase added value and raise the competitiveness in the market.

She expected that the participation of strategic investors via M&A will help Vietnamese firms address the challenges and scale up in the future.

E-Land, Korea's first and largest integrated fashion and retail company, has been a strategic partner of Thanh Cong Textile Garment Investment Trading JSC for over the past 10 years by holding a 30 per cent stake at the local firm.

E-Land has steadily increased its ownership to 43.26 per cent to become the largest foreign strategic investor in Thanh Cong Textile, making significant contributions to improving corporate restructuring and governance. Thanh Cong Textile has seen its after-tax profit growing six-fold since E-Land's investment.

In 2018, Japanese trading house Itochu has increased its stakes in Vietnam National Textile and Garment Group (Vinatex) to nearly 15 per cent by investing $46.9 million with an aim to turn the country into a textile export hub for Europe. Itochu is now the second-largest stakeholder in Vinatex after the Vietnamese government.

Itochu exports a little over ¥60 billion ($553 million) worth of apparel from Vietnam a year, half of which is produced by Vinatex. The company aims to raise outsourced production and exports to ¥100 billion ($922 million) by 2021.

The outlook for Vietnam's textile and garment exports is brighter in 2021 as the EU-Vietnam Free Trade Agreement has taken effect. There is also a higher demand for "Made in Vietnam" fabrics as big brands are increasingly sourcing fabrics from

Vietnam than China. The fabric prices are steadily increasing this year, improving the profit margins of local firms.

In the past two years, there have not been so many M&A deals in the textile and garment industry. The majority of buyers scooped up around 10-15 per cent stake in Vietnamese companies as an investment rather than holding a controlling stake.

7. South Korean investors back from recess

SK Group will lead a South Korean business delegation, including all leading companies in various sectors looking to invest and expand, to Vietnam next month. Senior managers of SK Group, the third-largest conglomerate in South Korea, will visit leading counterparts in Vietnam such as Vingroup and Masan Group to discuss the expansion and development of investment plans in more promising fields like ICT, bio-healthcare, energy, and the environment.

"Seeing the potential of Vietnam for upcoming investment and cooperation plans, SK Group will strengthen direct investment projects, in addition to acquisitions and indirect investments already carried out," an expert from the Korea Chamber of Commerce and Industry (KCCI) in Vietnam told VIR.

In early April, SK acquired 16.26 per cent in VinCommerce, one of Masan Group's subsidiaries, for a cash consideration of $410 million.

Two years ago, SK Group carried out indirect investment into VinCommerce via a 6.1 per cent stake of Vingroup, owner at the time, valued at $1 billion. It also took 9.5 per cent stake in Masan Group valued at $470 million, as well as around $29 million for a 24.9 per cent stake in local pharmaceutical firm Imexpharm. Total investment of SK Group in Vietnam is estimated at $2 billion. Moreover, SK Group worked out a deal with Petrolimex, poured money into the Long Son petrochemical project in the southern province of Ba Ria-Vung Tau, provided telecoms solutions for MobiFone, and invested millions of US dollars to develop innovation activities in Vietnam.

Also strengthening its footprint in the country, senior leaders of Hanwha Energy will arrive in Vietnam to discuss and sign cooperation agreements of investments valued at $500 million and $300 million. The investor also would like to accelerate the Hai Lang liquefied natural gas project in the central province of Quang Tri, developed in collaboration with local partner T&T Group and other South Korean groups with investment sitting at $2 billion.

Additionally, real estate and infrastructure are also promising lands for South Korean investors. Land & Housing Corporation, along with Korea Overseas Infrastructure & Urban Development Corporation, will arrive in the country to push forward a $1.5-billion Vietnam-South Korea Industrial Zone project in the northern province of Hung Yen and consider other real estate projects nearby; while Almus – a tier-1 supplier for tech giant Samsung – is looking for the chance to develop an additional factory valued at tens of millions of dollars.

Meanwhile, chairman of the Korea Chamber of Business in Vietnam Kim Heung-Soo said that the efforts of the Vietnamese government in fighting against the pandemic, as well as improving the investment and business climate, have been highlighted by South Korean investors.

"Manufacturing will be the most attractive industry for South Korean businesses to invest in Vietnam. If manufacturing gains more priority than the services sector, it will significantly contribute to accelerating the speed and quality of the country's growth, as well as lure more foreign investors into Vietnam," Soo said.

Accumulating to the end of March, South Korea is the top investor in Vietnam with over 9,000 valid projects registered at $71.5 billion, making up 18.2 per cent of total foreign direct investment into Vietnam. In the first quarter alone, South Korea ranked third following Singapore and Japan of leading foreign investors in Vietnam, with nearly $1.2 billion into 324 projects and other deals.

Corporate News

8. HAG: HAG changed from warning status to supervision

↓ -6.88%

On April 20, 2021, the Hochiminh Stock Exchange has issued a decision to change the shares of Hoang Anh Gia Lai Joint Stock Company (stock code: HAG) from warning status to supervision status as of April 28, 2021.

Reason: The profit after tax of the parent company's shareholders in 2020 was -1,255.66 billion dongs, and the undistributed profit after tax at 12/31/2020 was -6,301.66 billion dongs, according to HAG's 2019 and 2020 audited consolidated financial statements. Besides, the Company made retroactive adjustments to the data in 2018 and 2019, making the undistributed profit after tax at 12/31/2019 be -4,766.21 billion dongs.

HAG shares will be limited in transaction time (only traded in afternoon sessions with order-matching and put-through methods) as of April 28, 2021.

9. RAL: Rang Dong enjoys more revenue from digital transformation strategy

↑ 0.00%

According to director Nguyen Doan Thang, in the first quarter of 2021, it recorded revenue of VND1.53 trillion (US$65.9 million), up by 38.4 per cent while export turnover increased by 70 per cent and budget contribution increased 78.1 per cent while the firm's profit increased by 45.7 per cent over the same period to reach VND139 billion.

In 2020, Thang said revenue rose 15.6 per cent from 2019, reaching VND4.92 trillion.

"Digital transformation is vital for businesses because if done successfully, it will help bring Rang Dong brand to the world," Thang said.

He added thanks to the restructuring of appropriate product and market strategies since early 2020, the firm's LED 4.0 ecosystems won awards in the prestige Smart City Awards and Sao Khue Award.

The firm was also assigned by Ben Tre Province to implement the 'Smart street lighting system' for the entire of Ben Tre City, then more than 25 other cities requested Rang Dong to survey and participate in their smart city projects.

The director said amid the pandemic and increasing innovation, employees have to double their aspirations and efforts to develop the firm.

On Tuesday, the firm's shares ended at VND238,000 each on the HCM Stock Exchange.

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