



VIETNAM DAILY NEWS



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Market Analysis

1. Shares to gain on stable cash flow and Q1 positive earnings

Shares are forecast to rebound this week on positive Q1 earning results and stable cash flow, analysts said.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) closed Friday at 1,248.53 points, falling by 1.69 per cent or 20.71 points.

The southern market index had gained 0.79 per cent last week.

An average of 787 million shares were traded on the southern exchange during each session last week, worth VND20.9 trillion (US\$909.1 million).

According to SSI Securities Joint Stock Company (SSI), at the end of last week, the trading volume decreased by 6.56 per cent but still maintained well above the 50-day average. This signal showed that the cash flow into the market was still stable.

Thus, after falling back to the support area of 1,200 - 1,227 points and rebounding, the VN-Index showed a possibility of returning to the uptrend. The uptrend of the VN-Index will be strengthened when it surpasses the nearest resistance at 1,286 points.

Analysts from MB Securities Joint Stock Company (MBS) said that, at the end of last week, the market regained its momentum thanks to the boom in financial banking stocks and this uptrend spread across all other sectors.

This is the period in which stock prices, especially large-caps, were gaining thanks to positive first-quarter business results. This uptrend may continue in the first week of May 2021, MBS said.

Technically, with the current increased speed, the resistance level of 1,300 points can be soon conquered. However, correction to test support levels will occur before the VN-Index moves to new highs, with a short-term target of around 1,300 - 1,330 points, MBS said.

Sharing this same point of view, Viet Dragon Securities Joint Stock Company stated that, at the end of last week, VN-Index had recovered after a

series of dropping sessions. This recovery had regained investors' confidence.

Meanwhile, most stocks have rebounded impressively, meaning that the market had entered a positive period.

Saigon-Hanoi Securities Joint Stock Company (SHS) said the VN-Index had witnessed the fourth consecutive week of gaining with a slight increase in liquidity. That showed the great interest of investors in the market during this period.

During last week, VN-Index struggled and shook strongly around 1,250 points, it said.

Last week, foreign investors net sold more than VND1.13 trillion on both exchanges. They net sold more than VND1.1 trillion on HOSE and more than VND25 billion on HNX.

Regarding the movements of the stock groups, the information technology group increased the most last week, mainly thanks to the rise of pillars such as FPT Corporation (FPT), rising 4.1 per cent, and CMC Group (CMG), gaining by 0.3 per cent.

They were followed by consumer services, mostly thanks to the increase of giant mobile retailer Mobile World Group (MWG), up 10.1 per cent.

Banking pillars also performed well, with Vietcombank (VCB) up 8 per cent, Saigon-Hanoi Bank (SHB) gaining 4.7 per cent, VPBank (VPB) rising 4.2 per cent, Asia Commercial Bank (ACB) going up 0.9 per cent, Military Bank (MBB) up 0.3 per cent, Techcombank (TCB) increasing by 0.1 per cent.

On the other side, petrol stocks dropped the most with losers including PetroVietnam Technical Services Corporation (PVS), dropping 9.4 per cent, Petrochemical and Bio-Fuel JSC (PVB) losing 8.6 per cent, Binh Son Refining and Petrochemical Co Ltd (BSR) losing 7.8 per cent, PV Oil (OIL) dropping 7.1 per cent, The PetroVietnam Drilling & Well Service Corporation (PVD) decreasing by 6.2 per cent.

“This week, VN-Index will continue to be supported by the 1,217-1,225 zone. If the index goes out of this zone, it might enter a dropping stage into deeper short-term support zone,” said Tran Xuan Bach, a stock analyst at Bao Viet Securities Co (BVSC).

“With today’s increasing momentum, the market might keep heading to challenge the resistance zone of 1,255- 1,268 points in the first session of this week. However, the index is likely to drop again when approaching this resistance zone.

“Investors should maintain the proportion of shares in the portfolio at 20-35 per cent of stocks.

Prioritise holding medium-term positions. Those with plenty of cash can consider opening long positions with existing positions if the market retests the 1,200-1,220 zone next week,” BVSC said.

On the Ha Noi Stock Exchange, the HNX-Index lost by 1.18 per cent to close Friday at 283.63 points.

The index had lost 3.23 per cent last week.

An average of 160 million shares were traded on the northern exchange during each session last week, worth VND3 trillion.

Macro & Policies

2. UK firms eye investing in health care in Vietnam

The UK – Vietnam Free Trade Agreement (UKVFTA), which will take effect on May 1, is expected to open up opportunities for UK health care companies to navigate the Vietnamese market.

UK Consul General in Ho Chi Minh City Emily Hamblin said 99 percent of tariff will be waived in the next six years thanks to the deal.

She added that the UK has taken advantage of digital transformation to expand public access to quality health care services in an equitable manner, in accordance with the United Nations Sustainable Development Goal No.3 regarding health and welfare.

In the first stage of digital transformation, Vietnam has many opportunities from making use of creative solutions from the UK, she said.

Chairman and General Director of the AstraZeneca Vietnam Nitin Kapoor spoke highly of the UKVFTA deal for helping millions of Vietnamese patients access advanced and quality medicines.

He highlighted the significance of the agreement when Vietnam and the UK are looking toward a strategic partnership in the next decade and closer cooperation in health care.

Last year, Real Capital London launched the Hong Anh Medical Campus project in Ho Chi Minh City, which is expected to serve as a modern health care system, with a 462-bed hospital, a medical training centre, general clinics, pharmacies, accommodations and a nursing home for the elderly.

The project is divided into four stages, with two final stages scheduled for completion before 2030.

To date, UK investors have poured 3.87 billion USD into over 400 projects in Vietnam, becoming the 15th biggest investor in the country.

According to Hamblin, Vietnam – UK trade grew by 12 percent on average annually in the past decade. Via the UKVFTA, UK service providers are able to better access the Vietnamese market.

Sharing the same view, Executive Chairman of the Grant Thornton Vietnam and a board member of the British Chamber of Commerce in Vietnam Kenneth Atkinson noted that the UKVFTA is one of the first deals signed and joined by the UK following its Brexit last year.

He also hoped that less barriers will attract more UK firms to Vietnam, especially in health care.

3. VACC seeks reason for steel price upsurge

Some VACC members are on the edge of bankruptcy and afflicted as steel prices have been on the rise since late 2020, resulting in the proposal, according to the association.

The price of each ton of steel has soared by up to 40% against that seen in late 2020. The Viet My steel sells for VND18.4 million per ton in Danang City, while the price stood at VND13.1 million per ton at the end of last year.

Vietnamese contractors have faced difficulties in the upsurge as most investors signed construction

contracts with fixed prices that cannot be adjusted up, said VACC Chairman Nguyen Quoc Hiep.

VACC said that the steel price set by the Danang Construction Department for payments of projects was VND13.8 million per ton, while the market price of steel had risen to VND17-18 million per ton.

Steel accounts for 10%-30% of the total value of each civil construction project, so the fluctuation in steel prices severely affects contractors.

Many construction firms and contractors said that the surge in steel prices had hurt the effectiveness of

the projects previously signed with their partners and caused losses to contractors.

Quang Trung, deputy director of Long Giang Construction Foundation JSC, said that the firm missed at least three projects due to the surge in steel prices, the local media reported.

Hoa Phat steel was priced at VND16.5-16.7 million per ton on April 22, while Southern steel sold for

VND16.6-16.7 million per ton and the price of Pomina steel stood at VND16.9-17.2 million per ton.

The Vietnam Steel Association's March report showed that the price of steel would continue to rise until the third quarter of 2021 due to the supply shortage from China and India. The association also said that while the domestic supply was not short, the steel price surge was a result of the high price of materials that increased in line with global prices.

4. Collaborations required to achieve wood industry goals

Chinese companies have been using Vietnam as a transit port leading to soaring export turnovers, so much so that it has caused suspicion among international partners, especially the US. The issue has attracted more attention as US Customs recently discovered that Finewood Vietnam Co., Ltd. imported plywood from China, brought it back to the factory to change the label to a Vietnamese one, and then exported it to the United States.

Along with that, the enterprise also allegedly acted as a forged address issued in Vietnam, even though the goods are not imported into the nation nor have they been exported out of its territory.

Amid the ongoing US-China trade war, Vietnam has new opportunities for foreign direct investment (FDI) in Vietnam's wood industry, including the recent expansion in the number and export value of foreign-invested enterprises (FIEs) here.

Data from Forest Trends and some wood associations shows that by the end of 2020, the wood industry has received 63 new projects with the total registered capital of nearly \$327.7 million, as well as an increase in total additional capital of \$193.6 million, while share purchases within the sector reached a volume of \$244.8 million. Although these numbers are all lower than the 2019 figures, last year's figures reaffirm the industry's attractiveness in FDI activities.

Damaged wood industry

In Vietnam, the increase in such activities within the industry is partly the result of next-generation free trade agreements and the country's favourable geographic location in the Asia-Pacific economic

region. The industry's FDI increase is also a direct result of the government's preferential policies and investment attraction programmes in recent years.

Vietnam has more than 3,600 enterprises directly involved in exporting wood and products thereof, reaching an export value of \$12.31 billion in 2020. Of which, 653 FIEs are directly involved in exporting, accounting for 18 per cent of the total number of exporters, with a turnover of \$6 billion, accounting for 51 per cent of the total export turnover of the industry.

Compared with the 2,676 domestic enterprises and their \$5.9 billion in export turnover, FIEs outperformed these in terms of export scale. This superiority can be attributed to the differences in the production scale, technology application, and management skills, as well as the used investment capital and market access of FIEs. However, to date no reviews or studies have been looking more in-depth at these aspects.

FDI remains an inseparable part of the wood industry, although some related activities carry huge risks that have been hurting the industry. Recognising the seriousness of under-investment and shadow investments, Vietnam's authorities have been working hard to control the situation and introduce risk reduction measures.

The Ministry of Planning and Investment (MPI) in February sent a document to municipal and provincial people's committees to call for stricter control of anti-origin fraud actions against wood products.

The MPI also requested local authorities to inspect foreign-invested projects to reduce the risk of origin fraud and prioritise the selection of projects with superior technology, while consulting with timber associations about investment projects and carefully considering investment projects with fraud risk factors.

However, effective implementation of this call requires localities to pay due attention to FDI activities in their administration, including establishing inspection and monitoring mechanisms with the participation of related stakeholders.

The Ministry of Agriculture and Rural Development set a target for the wood industry, with the export value of forest products expected to be \$14-14.5 billion by the end of 2021, up about 9.6 per cent on-year.

5. Vietnam possessing advantage in AI field

South Korea's Naver Corporation and the Hanoi University of Science and Technology (HUST) - Vietnam's leading research university - in late March launched the AI International Research Centre under the Symposium on Information and Communication Technology, marking the first Southeast Asian AI research centre in Hanoi. Accordingly, the two parties will together build and operate the centre with the purpose to deeply research and train a high-quality labour force in terms of AI.

Along with implementing a search to create core "Make in Vietnam" technology, the centre will also focus on developing AI applications for different sectors and industries in order to promote Vietnam's digital transformation and the Industry 4.0 process. The deal between Naver and HUST are motivation for South Korean enterprises in the AI sector arrive to Vietnam to expand their operation in the context the country's demand on developing the AI sector is also increasing.

Vietnam has seen increase in such investment inflow from South Korea as well as other countries under deals between domestic and foreign investors. Notably in March 2020, Samsung officially kicked off construction of the largest research and development (R&D) facility in Vietnam.

Cao Cam, an analyst of the Vietnam Timber and Forest Product Association, found that the signals from the US market up to this point were clear. The Office of the US Trade Representative is investigating the Vietnamese wood industry following regulations, based in part on the allegation that underground investments are taking place in the wood industry to enjoy import tax benefits from the US.

"Such fluctuations from the US market will have an impact on the entire wood industry, affecting the industry's goals," Cam said.

Currently, the US is the most important export market for Vietnam's wood industry, with its share within the total export turnover to this market in 2020 reaching well over 60 per cent.

The new centre will become the largest for the tech giant in all of Southeast Asia, becoming a leader towards researching, deploying, and applying new technologies of the Fourth Industrial Revolution. In addition, the centre will also be a place to train high-tech human resources and especially technologies such as AI and big data.

Jeong Sam Yong, general director of Samsung SDS Vietnam, said that the group is interested in joining Vietnam's digital transformation process, and that becoming the strategic shareholder in domestic tech group CMC Corporation is a bold example.

"Samsung is assisting Vietnam in implementing IT solutions and applying management software in production operations. In addition, the group supports telecommunications and system integration solutions," Yong said. "In the future, the group will promote the construction of smart cities and smart buildings thanks to Internet of Things (IoT) applications, cloud computing, and AI in Vietnam."

A year ago FPT Corporation signed an MoU with Hocom Corporation, the largest productivity software manufacturer in South Korea. The two parties will work together to develop six sectors: office software for the Vietnamese market, smart cities, AI, IoT, education, and self-driving vehicles.

Around the same time, VinAI Research, VinGroup's AI research arm, announced addition of a cutting-edge supercomputer to its AI computing platform. The machine, a 5-petaflop accelerated data centre in a box, is the first deployment of such a system in Southeast Asia.

Numerous large international groups are also investing for R&D activities in Vietnam along with their operational activity. German technology giant Bosch already boasts two R&D centres in Ho Chi Minh City.

These investments are playing a major role in Vietnam's goal of nurturing its high-tech sector and becoming an AI research and development leader by 2030 as similar as the target mentioned in the national strategy on R&D and application of AI approved by then-Prime Minister Nguyen Xuan Phuc last month.

The strategy outlines that by 2025, Vietnam is to become a centre for innovation, as well as development of AI solutions and applications. The country will establish two national innovation centres for AI and simultaneously increase the number of innovative related startups and total investment in the sector. In addition, Vietnam is also focused on upgrading and forming 10 new key research and training institutions on AI. As per the strategy, Vietnam expects to rank among the top four countries in ASEAN and in the top 50

worldwide in R&D and application of AI by the end of the decade. The country has plans to set up 10 renowned AI centres as well as develop three national centres for big data storage and high-performance computing, connecting domestic data centres and high-performance computing centres to create a shared network.

In order to realise the targets, the government has asked to “allocate resources on developing essential AI products and services that Vietnam possesses a competitive advantage in; and strategise key investments in AI application in fields related to national defence and security, natural resources and environmental management, and public services. Besides this, it is necessary to vigorously develop AI application enterprises and AI startups,” the strategy noted.

Developing AI is also a part of the economic target by 2030 as defined by the 13th National Party Congress. Vietnam determines that the rapid and sustainable development on the basis of science, technology, innovation, and digital transformation is one of three key elements in the country's development strategy.

Choi In Hyuk, COO of Naver said, “Naver has been impressed with Vietnam's growth in the science-technology sector in recent years and we see that it has potential to expand AI personnel training.”.

6. UNDP announces study on corporate awareness, responsible business practice in Vietnam

The UN Development Programme (UNDP) and the Embassy of Sweden in Vietnam announced key findings of the Study on Corporate Awareness and Implementation of Responsible Business Practice in Vietnam in 2020 at an event in Hanoi on April 22.

The study found that the level of awareness of business enterprises on responsible business practice (RBP) remains low, especially among domestic small private businesses, with less than half of the small domestic enterprises fully understanding of RBP whereas 81 percent of the State-owned enterprises (SOE) understanding the concept and its implications fully.

The study also shows that 84-90 percent of respondents comply fully with existing regulations dealing with labor issues (e.g. insurance; bonus and benefits schemes; safety and hygiene). The corresponding percentage for environmental protection was 50-73 percent. Less than 68 percent of respondents fully adhere to regulations on business governance such as transparent bidding and purchasing, and consumer protection.

The Swedish Ambassador to Vietnam, Ann Mawe, said UNDP in Vietnam, in partnership with the Government of Sweden, has been driving forward responsible business practices since 2019 as part of the regional programme “Promoting Responsible

Business Practices through Regional Partnerships in Asia”.

The study focuses on labour, environmental, and governance issues, with the data being collected through focus group discussions, key informant interviews and a survey with 279 respondents.

In the years ahead, the study aims to assist Vietnam in building a national plan of actions on RBP by 2022, which will help the country achieve

sustainable development goals and bring its legal framework on a par with international standards.

UNDP Deputy Resident Representative Sitara Syed said despite Vietnam's rapid, yet relatively inclusive economic growth, and an influx of investment that have brought opportunities, many problems remain. She highly appreciated the Ministry of Justice for leading the design and adoption of Vietnam's first National Action Plan on Responsible Business Practices by 2022.

7. Firms urged to fully exploit national brand's benefits

Vu Ba Phu, director general of the Viet Nam Trade Promotion Agency under the Ministry of Industry and Trade, said Viet Nam is considered a bright spot thanks to the remarkable increase in national brand value along with socio-economic achievements. Viet Nam also affirms its prestige and position in the international arena, demonstrating its proactive nature and stature in international integration.

According to Brand Finance, a leading global brand valuation and strategy consultancy, in 2020 Viet Nam's national brand was valued at US\$319 billion, up 29 per cent from 2019 and nine places to 33rd in the National Brands list of the world's 100 most valuable brands.

In addition, Viet Nam is also the only country in ASEAN to be upgraded in the global soft power ranking from 50/60 to 47/105 countries according to the Global Soft Power Index 2021.

Nguyen Thanh Son, chairman of MVV Group, said the national brand is a lever for businesses to build communication programmes. However, businesses should not only focus on achieving a National Brand title but look at values that they could take advantage of. The national brand will provide businesses with a set of tools including

implementation methods and metrics to clarify their position and evaluate effectiveness of the ongoing activities and their intrinsic strength.

Phu said the ministry would co-operate with relevant ministries and agencies to facilitate the business community, including those awarded a National Brand. This could bring new values to local firms.

Experts also offer practical and effective support solutions for businesses in market penetration research, establishing information systems and updating brand knowledge, towards criteria of the Viet Nam National Brand Programme in a new context.

The event is an activity within the framework of Viet Nam National Brand Week which is taking place from April 19 to 25. The week is annually held to increase awareness among the business community about the Viet Nam National Brand Programme and enterprises awarded with the title. It helps equip firms with knowledge on the importance of brand building and development in production and business activities, especially in the context of international economic integration.

Corporate News

8. HPG: Hoa Phat earmarks 3.67 bln USD for Hoa Phat Dung Quat 2 iron, steel project

↑ 2.55%

Vietnamese steel producer Hoa Phat Group will invest around 85 trillion VND (over 3.67 billion USD) in the construction of its Hoa Phat Dung Quat 2 iron and steel factory project, heard at the company's annual shareholders' meeting on April 22.

The project is expected to be built in three years and become operational in 2024.

It will cover an area of more than 283.7 hectares in the communes of Binh Dong and Binh Thuan, Binh Son district, the south-central province of Quang Ngai. It has a designed annual capacity of 5.6 million tonnes, including 4.6 million tonnes of hot-rolled coil (HRC) and 1 million tonnes of steel bars and steel wire.

Currently, the domestic market demand for HRC – the material for production of many products such as steel pipes, galvanised steel sheets, automobile spare parts, and household appliances, is about 12

million tonnes per year, 60 percent of which is imported.

Last year, Hoa Phat supplied nearly 700,000 tonnes of HRC. In 2021, the firm expects 2.7 million in HRC output, along with more than 5 million tonnes of steel billets and construction steel.

Hoa Phat currently earns from 120 trillion – 140 trillion VND per year in revenue. With Hoa Phat Dung Quat 2 put into use, the annual revenue is likely to exceed 200 trillion VND, according to Chairman Tran Dinh Long.

Long said the corporation gained 31 trillion VND in revenue and 7 trillion VND in after-tax profit in the first quarter of 2021. The performance will be even better in the second quarter of the year, he said.

This year, Hoa Phat sets to generate 120 trillion VND in consolidated revenue and 18 trillion VND in post-tax profit, up 33.15 percent and 33.27 percent, respectively, against the previous year.

9. SSI: SSI enjoys high growth in 1st quarter

↑ 3.94%

Profits from brokerage activities increased by 276.2 per cent to VND318.6 billion (\$13.8 million). Investments saw earnings rise by 157.8 per cent to VND106.8 billion (\$4.6 million).

Treasury business and investment banking activities also saw high growth.

The main indices on Viet Nam's stock markets ended the first quarter positively. The VNIndex increased by 7.93 per cent for the year to hit 1,191.44 points on March 31.

The average trading per session was worth over VND15.5 trillion (\$671.5 million), up 302 per cent.

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