



# VIETNAM DAILY NEWS



April 29th, 2021

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## Market Analysis

### 1. Market rises, VN-Index climbs for second consecutive session

Shares finished higher on Wednesday with the VN-Index recording a second straight daily gain, backed by large-cap stocks from real estate, materials and banking sectors.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) increased 0.8 per cent, or 9.8 points, to 1,229.55 points. The market breadth was still positive with 280 stocks rising while 128 declined. And 46 stocks ended flat.

The market's liquidity was also high as domestic investors poured over VND15.4 trillion into the southern market, equivalent to a trading volume of nearly 612.7 million shares.

The index gained despite expectations from analysts that the index might fall lower.

Saigon - Hanoi Securities JSC (SHS) said that the slight recovery of the VN-Index on Tuesday and lower matched order showed that buying demand was weak.

"On the technical front, after hitting a peak of 1,286 points on April 20, the index couldn't finish above 1,250 points. Therefore, the index has entered corrective wave A with a target of 1,140 points," SHS added.

The market might continue to edge lower to complete the corrective wave in May, "and it might fall back to lower levels for bottom purchases on Wednesday," said the securities firm.

The market jumped on the back of big stocks from many sectors, but mainly were real estate, materials and banking stocks.

The VN30-Index, which tracks 30 biggest stocks in market capitalisation on HoSE, climbed 0.8 per cent

to 1,294.06 points. Twenty-one of the VN30 basket inched higher while seven stocks slid.

Of the top five stocks dominating the market rally, three were from the real estate sector, one from banking and one from the materials sector. Accordingly, No Va Land Investment Group Corporation (Novaland, NVL) was still the biggest gainer in market capitalisation, up 5.35 per cent. Followed by Vietnam Rubber Group JSC (GVR) and VPBank (VPB), up 6.84 per cent and 3.38 per cent, respectively.

The other two stocks were Vincom Retail JSC (VRE) and Vinhomes JSC (VHM).

Meanwhile, losses in some stocks capped the market's upward trend. Of which, Vietnam Dairy Products JSC (Vinamilk, VNM) posted the biggest loss, down 2.09 per cent.

On the Ha Noi Stock Exchange (HNX), the HNX-Index reversed course and closed higher yesterday on pillar stocks. The index jumped 0.54 per cent to 282.07 points as the HNX30-Index, tracking 30 biggest stocks on the exchange, also rose 0.71 per cent.

During the trading day, over 96.9 million shares were traded on HNX, worth around VND2 trillion.

Foreign investors were still net buyers on both exchanges, with a total value of VND395.27 billion. Of which, they net bought a value of VND392.94 billion on HoSE and a value of VND2.33 billion on the northern bourse.

Meanwhile, on UPCOM, they net sold a value of VND8.54 billion.

## Macro & Policies

### 2. Local steelmakers red hot on investment

In particular, locally-invested steelmaker Hoa Phat Group surpassed Taiwan's Hung Nghiep Formosa Ha Tinh to become Vietnam's largest steel producer after it produced two million tonnes of crude steel in the first quarter of this year, a 60 per cent increase on-year.

This success has shown the growth of domestic steel enterprises, breaking the monopoly created in 2018 when Formosa Ha Tinh became the leading crude steel producer with estimated output of over five million tonnes of crude steel, double Hoa Phat's crude steel production, and reaching 3.44 million tonnes of hot rolled steel. Formosa was the only company in the domestic market that could produce hot rolled coil (HRC) at the time.

Steel businesses in recent years have invested hundreds of millions of US dollars to create high-quality products favoured by major markets around the world, and in 2018 CEO of Hoa Phat, Tran Tuan Duong, vowed that his group would not be inferior to Formosa and would not lose out in the competition.

At the Hoa Phat Dung Quat iron and steel production complex in the central province of Quang Ngai, the group has been pumping capital into installing a state-of-the-art closed blast furnace production line. It is capable of turning out high-quality steel using square billets, as well as hot- and cold-rolled steel, pipes, galvanised steel, and steel wire ropes using flat billets.

Valued at \$2.26 billion in total investment value, the complex encompasses a deepwater port system that is accessible by 200,000 dead-weight-tonnage vessels.

Dinh Van Chung, deputy director of the Hoa Phat Dung Quat iron and steel production -complex, said that at present, the group's hot rolled steel products are out of stock due to supply issues.

Hung Nghiep Formosa Ha Tinh and Hoa Phat are the two largest billet producers in Vietnam today and are also the only two companies in the country supplying HRC steel. In terms of monthly output, Hoa Phat has surpassed Formosa since September

2020 by putting blast furnaces 3 and 4 at its Hoa Phat Dung Quat complex into operation. While Formosa Ha Tinh aims to produce 6.5 million tonnes of steel per year, Hoa Phat is confident to produce eight million tonnes of steel this year.

With the total registered capital of \$10.5 billion, Formosa Ha Tinh reported a revenue in 2019 of VND72 trillion (\$3.1 billion), a loss of over VND11.5 trillion (\$500 million) which was more than four times higher than in 2018. As of 2019, its accumulative loss was about VND25.38 trillion (\$1.1 billion).

Meanwhile, Posco Yamoto Vina JSC, the first big size structural steel maker in Vietnam producing special steel including high-grade section steel with the variety of dimensions and standards, reported losses of VND2.7 billion (\$117,400) for 2019 and VND1.09 billion (\$47,400) for 2018.

Meanwhile, in the first quarter of this year, a range of local steelmakers reported outstanding results thanks to a recovery in the global steel demand with eased restrictions that has elevated steel prices.

Hoa Sen said that its consolidated business results for March are estimated at \$180 million of net revenue, up nearly 18 per cent on-year, leading to \$20 million of profit after tax. It exported high-value batches of galvanised steel sheets during the initial months of the year to the United States, Mexico, Europe, and Southeast Asia with the local group's export volume exceeding 120,000 tonnes per month.

In the first quarter, Tien Len Steel Group JSC achieved consolidated net revenue of over \$39 million and profit after tax of more than \$4.8 million. Its revenue only increased by nearly 4 per cent while profit after tax reached over 30 times compared to the same period in 2020. With this result, Tien Len Steel has completed nearly half of its annual profit target.

Similarly, at the end of the first three months of the year, Me Lin Steel JSC recorded an after-tax profit increase of 41 times compared to the first quarter of

2020, reaching \$674,000 thanks to high steel prices and reduction in financial expenses and sales.

The most outstanding is Thai Nguyen Iron and Steel JSC (TISCO). The increase in steel price and good consumption helped TISCO's revenue reach over \$120 million, up nearly 40 per cent on-year. After a period of loss, the first quarter of this year recorded a growth of 50 per cent with a gross profit of over \$10.2 million.

Also, listed-firm VNSTEEL-Ho Chi Minh City Metal Corporation posted revenues of over \$47.8 million, up over 40 per cent over the same period of 2020, while its profit after tax gained over 10 times compared to last year to \$2.5 million, marking the highest quarterly profit since it was founded.

Commenting on the development of the domestic steel industry, industry expert Nguyen Van Sua said, "In the past 10 years Vietnam's steel industry has developed strongly, and by 2020 it ranked 14th in the world, a good step forward on the world steel industry map. In 2020, Vietnam's crude steel production hit a very high level of 19.5 million tonnes per year."

Market observers said steel prices have not shown signs of cooling down, with the main reasons being the high demand and decline in production in the likes of China and India. With the pandemic situation in Vietnam continuing to be controlled, the demand for real estate construction remains healthy.

### 3. VN-Index predicted to reach 1,500 points in 2021: PYN Elite

According to investment fund PYN Elite, banks' whole year earnings growth is likely to reach a robust 35-40 per cent increase on-year.

The brisk price gains in the property market have increased speculations about the State Bank of Vietnam's intervention in the market. However, this should be short-lived, and PYN Elite expects this year's earnings growth will push the bank stocks to higher levels.

Strongly cyclical steel companies have had a big role in the performance of the VN-Index.

The fund does not have in its portfolio Hoa Sen Group's shares, which has a strong weighting in the index, or any other steel companies.

Recently, Vingroup's holding company's VIC stock spiked as the company announced plans to expand

manufacturing of Vietnamese car brand Vinfast in the US and possibly be listed in the New York Stock Exchange. So far, the company has made losses with its car business.

"We do not have any position in Vingroup's shares, we would rather not bet on a new brand entering the US automobile market, as we concentrate on our holdings with the companies that benefit from the high growth of the domestic demand in Vietnam," Petri Deryng, portfolio manager noted.

"We share the consensus forecast that the Vietnamese stock market can continue to perform well this year due to the solid earnings growth as well the bright outlook for years to come. In the first quarter, the foreign investors have been net sellers in the Vietnamese stock market, but we believe the tide must turn as the year goes along," he added.

### 4. US contributes to private sector-led energy transition in Vietnam

The United States Agency for International Development (USAID) has promoted the engagement of private sector in Vietnam's energy transition over the past five years.

The USAID Vietnam Low Emission Energy Program (V-LEEP) in the partnership with Vietnam's Ministry

of Industry and Trade (MoIT) has enhanced Vietnam's capacity in developing long-term energy strategies, mobilizing private investments for renewable energy, and improving compliance of industrial energy efficiency.

V-LEEP contributed to developing 300 megawatts of wind and solar from six private sector-led projects thanks to the mobilization of US\$311 million, reported at the project completion ceremony on April 28.

Over the last three years, these renewable energy projects, along with savings from energy efficiency improvements, have reduced about 730,000 tons of greenhouse gas emissions, or the equivalent of 365,482,807 kilograms of coal.

US Chargé d'Affaires a.i. Christopher Klein said at the event that the growth of solar power in Vietnam over the last two years is inspiring, and Vietnam now stands as a leader in renewable energy across Southeast Asia.

He noted that “the private sector has driven much of this growth in solar development, highlighting the strong support from the Government of Vietnam for private sector-led development.”

Over the years, V-LEEP also collaborated with MoIT to provide technical support for Vietnam's future power grid and the development of the Eighth Power Development Plan, which was recently

published on the ministry's website for public comments.

The project also assisted with formulating a Direct Power Purchasing Agreement pilot program, which, after final approval, will enable private enterprises (such as Nike, AB InBev, Adidas) to partner with Vietnam to provide capital for new solar and wind development projects, and increase Vietnam's contribution to climate change mitigation.

It has also supported MoIT in developing Minimum Energy Efficiency Performance Standards to reduce energy consumption in industrial production, furthering Vietnam's ambitious energy efficiency goals.

USAID said it will maintain the momentum of V-LEEP and deepen its collaboration with MoIT through its new program, V-LEEP II. Over the next five years, USAID V-LEEP II will support Vietnam while continuing its transition to a clean, secure, and market-based energy sector by increasing the deployment of advanced energy systems, improving energy sector performance, and increasing competition in the energy sector.

## 5. Four-month FDI totals 12.25 billion USD

In the first four months to April 20, foreign investors pumped 12.25 billion USD in Vietnam, equal to 99.3 percent of the amount recorded in the same period last year.

Of the amount, nearly 8.5 billion USD was poured into 451 new projects, up 24.7 percent in value and down 54.2 percent in project numbers year-on-year.

Meanwhile, more than 2.7 billion USD was added to 263 existing projects, down 10.6 percent and 21.5 percent, respectively.

The remaining investment capital, over 1 billion USD, was used for capital contribution and share purchases in a total 1,151 transactions.

Foreign investors landed investment in 17 sectors, with processing and manufacturing absorbing the largest amount of capital (5.2 billion USD), followed by power generation and distribution (5.1 billion

USD), real estate (778 million USD), and whole sale and retail sale (464 million USD).

Among 67 countries and territories having investment in Vietnam in the period, Singapore took lead with 4.8 billion USD, Japan came second with more than 2.5 billion USD, and the RoK was the third largest investor with 1.5 billion USD.

Localities that attracted the most FDI were Long An (3.3 billion USD), Can Tho (over 1.3 billion USD), and Ho Chi Minh City (1.1 billion USD).

Minister of Planning and Investment Nguyen Chi Dung has required localities to assess FDI enterprises in terms of environmental protection and transfer pricing. He also urged local administrations to take caution when considering foreign investment projects in steel, aluminium and thermal power.



The minister said that the ministry will work to complete mechanisms with a view to improving business climate for foreign investors, and set up

preferential mechanisms to attract investment into the fields of high technologies and source technologies.

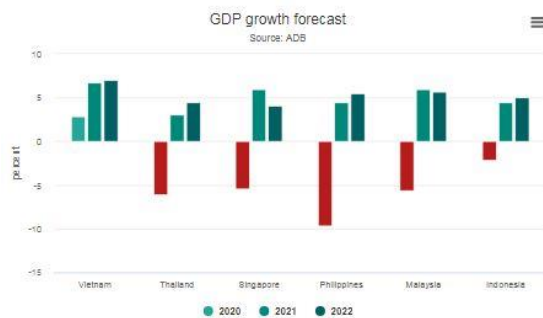
## 6. Vietnam to lead Southeast Asia in growth: ADB

The regional average will be 4.4 percent, a report released Wednesday by the Asian Development Bank (ADB) forecast.

Faster-than-expected recovery in China and the U.S. would significantly expand Vietnam's trade and growth prospects, the report said.

Vietnam's GDP growth is expected to top 7 percent next year, also the highest in the region, which would average 5.1 percent.

China, whose GDP is set to grow by 8.1 percent this year, in the first quarter surpassed the E.U. to become Vietnam's second largest export market behind the U.S, it said.



Vietnam's retail sales rose 5.1 percent in the first quarter, indicating a recovery in consumer confidence.

Increased domestic consumption, along with rising international oil prices, is expected to push inflation up to 3.8 percent this year and 4 percent in 2022, the report said.

"Stagnant domestic consumption and weak external demand caused by the Covid-19 pandemic slowed down Vietnam's economy last year, but the growth momentum remains strong this year and next, made possible by Vietnam's success in controlling the spread of the virus," ADB country director for Vietnam, Andrew Jeffries, said.

Jeffries said: "But significant risks remain this year and next, including the emergence of new coronavirus variants and a delay in the government's vaccination plan."

Growth would be boosted by export-oriented manufacturing, increased investment and expanding trade, the report said.

The report warned that the uneven global Covid vaccine rollout could delay Vietnam's return to its strong pre-pandemic growth path, given its reliance on external trade.

The country's purchasing managers' index rose to 53.6 in March, the highest since January 2019. A rate of over 50 indicates expansion.

Vietnam could maintain inclusive growth by softening the pandemic's impacts on poverty and incomes, it added.

Construction is expected to pick up quickly as the government continues to accelerate major infrastructure work this year and low interest rates stimulate property development.

A study by the ADB found that the pandemic has reduced Vietnamese people's incomes by 9.8 percent on average.

The bank urged the government to adopt a sustainable long-term strategy to help poor and vulnerable people diversify their livelihoods through measures such as vocational training and improved access to microfinance for starting businesses.

## 7. COVID-19 crisis may be opportunity for Vietnam’s agricultural trade: Experts

The COVID-19 pandemic has rocked the global economy and created unprecedented trade uncertainty and challenges for all sectors, but from the crisis may come opportunity for Vietnam’s agricultural trade, experts have said.

At a workshop held by the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD) and the Australia - Vietnam Economic Reform Programme (Aus4Reform Programme), Do Lien Huong from IPSARD said that although the agricultural sector suffered a decline in agricultural trade last year, it maintained a trade surplus of 10 billion USD.

There are challenges for Vietnam’s agriculture since the country has no particular support policies for the sector while demand in traditional trade partners such as China and the US are falling.

“The pandemic highlighted shortcomings in the agricultural sector and imposed stringent requirements on uniform policies as well as production and cultivation methods,” Huong said.

She stressed that the agricultural sector could find new markets if changes are made in a timely manner.

According to Deputy Secretary General of the Vietnam Association of Seafood Exporters and Producers (VASEP) Nguyen Hoai Nam, the shipment of seafood in 2020 fell 1.9 percent year-on-year due to increasing input costs and labour shortages.

In the first quarter of 2021, however, seafood exports inched up 6.9 percent from the same time last year.

Nam said that Vietnamese firms may have opportunities to promote exports and gain greater market share in the time to come as large markets such as the US, Japan, and China are increasing imports while competitors like India and Thailand are struggling with spiralling pandemic outbreaks.

Regarding the production and trade of fruits and vegetables, Chairman of the Vietnam Fruit and Vegetable Association Nguyen Thanh Binh said production and shipments have fallen since 2019 as a result of the US - China trade war and COVID-19, but he believed they will bounce back this year.

It is necessary to promote production links and form a sustainable value chain to improve food safety, quarantine, and origin traceability, he suggested, adding that localities and businesses should focus on large-scale production and the application of advanced technologies and good practice standards such as VietGAP and GlobalGAP.

Other experts held that State agencies should provide businesses with full market information and raise awareness about import-export activities.

In addition to expanding markets and adjusting the export market structure, the State should also outline measures to stimulate the economy and support companies in production and business.

According to Director of the Legal Department at the Vietnam Chamber of Commerce and Industry, Dau Anh Tuan, Vietnamese enterprises expect support from the State, including exemptions from corporate income taxes, extensions on tax payments, and reductions or extensions on social security payments, among others.

## Corporate News

### 8. VPB: Japan's SMFG to take \$920m stake in Vietnam's biggest nonbank lender

↑ 3.38%

Sumitomo Mitsui Financial Group will acquire a 49% stake in Vietnam's biggest nonbank lender, Nikkei learned on Wednesday.

Sumitomo Mitsui will invest more than 100 billion yen (\$920 million) in FE Credit as early as October, making it an equity-method affiliate.

The looming acquisition comes as Vietnam's consumer loan market rapidly expands on the back of strong and sustained economic growth. Sumitomo Mitsui is aiming to widen its business in Asia by leveraging its digitization and customer management expertise.

FE Credit, established in 2015 and based in Ho Chi Minh City, is an affiliated nonbank lender of VP Bank. Its business spans consumer loans, credit cards and motorbike loans.

FE Credit controls over 50% of Vietnam's consumer loan market.

Last year, FE Credit launched smartphone app-based banking services and began a deposit business. For the fiscal year ended December, it posted an operating profit of around \$770 million and a net profit of around \$128 million.

After regulatory screenings and as early as October, SMBC Consumer Finance, an affiliate of Sumitomo Mitsui Financial Group, will acquire a 49% stake in FE Credit from VP Bank. The total investment will be more than 100 billion yen, making it the biggest investment by a Japanese bank in a Vietnamese financial institution.

According to the World Bank, Vietnam's consumer loan market is expanding at an annual rate of over 30%. FE Credit's operating revenue, meanwhile, has grown at a double-digit pace every year.

Sumitomo Mitsui, which has also invested in financial institutions in Hong Kong, Indonesia and Cambodia, intends to leverage FE Credit's lending expertise to further expand its business in these territories.

### 9. NVL: Property giant Novaland eyes \$2-bln profits

↑ 5.35%

The three housing projects are under development and would be handed over to the buyers before 2024, the property company's director of corporate finance, Nguyen Thai Phien, said.

They are expected to benefit from the infrastructure being developed in the three provinces, including the Phan Thiet – Dau Giay Expressway between Binh Thuan and Dong Nai to be completed in 2024, the Long Thanh

International Airport in Dong Nai to be completed by 2025, and Phan Thiet airport in Binh Thuan to be completed in 2022.

It targets profits of VND4.1 trillion (\$178 million) on revenues of VND27 trillion (\$1.1 billion) this year based on plans to sell 10,000 units at 23 projects.

The company also plans to develop new housing projects in HCMC and resort real estate in the central provinces of Binh Thuan, Lam Dong and the southern province of Ba Ria-Vung Tau this year.



**Research Team:**

**Tsugami Shoji**    *Researcher*

[jsi@japan-sec.vn](mailto:jsi@japan-sec.vn)

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***Japan Securities Incorporated – JSI***

*Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi*

*Tel: (024) 3791 1818*

*Fax: (024) 3791 5805*

*Email: [info@japan-sec.vn](mailto:info@japan-sec.vn)*

*Website: [www.japan-sec.vn](http://www.japan-sec.vn)*