VIETNAM DAILY NEWS

May 10th, 2021

JSI
JAPAN SECURITIES INC.

Table of content

Table of content

Market Analysis

1. Shares trim losses on late buying force

Vietnamese shares trimmed losses in late trade on Friday as strong buying force returned to the market, helping revive investor appetite after a sell-off earlier the day.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 0.70 per cent to close Friday at 1,241.81 points.

The southern market index had declined 0.47 per cent to finish Thursday at 1,250.57 points.

The market breadth was negative as 307 stocks declined while 118 rose and 41 stocks ended flat.

The market's liquidity was high with nearly 783 million shares traded on the southern market, worth VND22.4 trillion (US$971 million).

"The VN-Index corrected slightly after approaching the historic peak of 1,260-1,280 points," said BIDV Securities Co.

"Market liquidity decreased slightly along with the continued net selling trend of foreign investors on both exchanges had caused a market correction to the threshold of 1,250 points.

"Cash flow weakened compared to the previous session. The VN-Index may consolidate in the short term around 1,250 points before retesting the 1,260-1280 level in the mid-term," said the company.

The 30 biggest stocks tracker, VN30-Index, lost 0.29 per cent to 1,340.73 points.

Of the VN30 basket, seven stocks increased while 22 decreased.

Hoang Huy Investment Financial Services JSC (TCH) and Bao Viet Holdings (BVH) were the two biggest losers in the group with a drop of over 3 per cent each. Dairy firm Vinamilk (VNM), Thanh Thanh Cong – Bien Hoa JSC (SBT), Vietcombank (VCB) and Vietjet (VJC) dropped by more than 2 per cent.

Thanks to the return of buying force in the afternoon trade, some large-caps managed to increase. HDBank (HDB) continued to maintain its uptrend, rising 4 per cent, Tien Phong Bank (TPB) gained more than 3 per cent. Hoa Phat Group (HPG) and Vietinbank (CTG) rose over 2 per cent.

Banking stocks differentiated significantly in the last session of the week. Vietcombank (VCB) was the biggest loser in the industry. Sacombank (STB), Bank for Investment and Development of Vietnam (BID) and Ocean Bank (OCB) fell more than 1 per cent. On the opposite side, HDBank (HDB), Tien Phong Bank (TPB) and Lien Viet Post Bank (LPB) also rebounded 3 per cent.

Oil and gas stocks performed poorly. Binh Son Refinery (BSR) dropped the most with more than 5 per cent loss, PV Oil (OIL) and PV Drilling (PVD) declined over 3 per cent. Other losers were PetroVietnam Gas JSC (GAS), PetroVietnam Power Corp (POW), and PetroVietnam Technical Services (PVS).

Meanwhile, on the Ha Noi Stock Exchange (HNX), the HNX-Index declined 0.44 per cent to close Friday at 279.86 points.

The northern market index had risen 0.06 per cent to close Thursday at 281.09 points.

During the session, over 122.3 million shares were traded on HNX, worth VND2.4 trillion.

Macro & Policies

2. Vietnam among top three buying geographies of US firms

A new report finds that 43 percent of US-based respondents cited Vietnam among their top three buying geographies as of early 2021, doubled from 2019, according to Material Handling & Logistics, a US website.

The data shows a 16 percent year-over-year increase in demand for inspections and audits in Vietnam in the first quarter of this year, which represents a third consecutive quarter of growth that had initially begun as a post-lockdown rebound in mid-2020, the article cited a report from QIMA, a provider of supply chain compliance solutions.

It is worth noting that this growth is more than just a return to pre-pandemic levels, as Q1 2021 inspection demand has, on average, doubled compared to Q1 2019.

Furthermore, the appetite for Vietnam sourcing is far from satisfied and is poised to redefine the sourcing landscape in 2021: around one-third of buyers globally and 38 percent of US-based buyers name it among countries from where they plan to buy more in 2021.

The website said Vietnam is not the only country in the region to benefit from expanded business volumes, as data on inspection and audits demand in Southeast Asia shows double-digit growth across the board, fueled by the renewed interest from American and European brands alike./.

3. Flourishing exports in textile and garment, leather and footwear industries

According to the latest report on trade and industrial manufacturing in the first four months by the Ministry of Industry and Trade, the textile and garment, leather and footwear industry in the first four months has reached $15.9 billion.

This is a positive sign as some of Vietnam's major export markets gradually recovered while Vietnamese companies have taken better advantage of new free trade agreements.

Especially, the export turnover of the textile and garment sector was estimated at $9.51 billion, up 9 per cent over the same period in 2020, while fibres of all kinds increased by 43.4 per cent to $1.64 billion (the same period last year was only $1.14 billion); and fabrics and other technical fabrics increased by 35.7 per cent, reaching $215 million.

Export orders also soared in the leather and footwear industry, reflected by an export turnover of $6.392 billion, up 18.7 per cent against the $5.38 billion of the corresponding period last year.

In April, the production index of textiles increased by 2.7 per cent over the previous month and by 17.3 per cent over the same period in 2020. The index for the garment sector increased by 3.9 and 29.4 per cent, leather and related products by 1.8 and 29.3 per cent.

For the first four months, the production index of the textile sector increased by 7.8 per cent over the same period, garments increased by 9.5 per cent, leather and related products increased by 11 per cent.

Some products achieved good growth in product volume against the past year, such as fabrics made from natural fibres (up 10.1 per cent), production of textiles from synthetic fibres and synthetic fibres (up 6.4 per cent); casual clothing (up 8.9 per cent), and leather footwear (up 13.3 per cent).

In 2021, the textile and garment sector targets $38-39 billion of export turnover, while the leather and footwear industry has set a target of over $20 billion.

4. Businesses advised to diversify capital sources in new context

Participants at a May 7 workshop in Hanoi recommended that Vietnamese businesses diversify capital sources funding their activities in the new context instead of being over-reliant on the banking system.

Addressing the workshop, Chairman of the Economist Club Dang Duc Thanh said enterprises are operating in a volatile and uncertain environment amid global climate change, unpredictable epidemics and pandemics like SARS, Ebola, and COVID-19, and other challenges such as terrorism, lack of water resources and food, and cyber insecurity. Given this, they have significant demand for medium- and long-term capital.

However, he pointed out, their own capital accounts for just 20-30 percent while the remainder comes from credit from commercial banks, which are often unable to meet their demand for medium- and long-term capital.

The enforcement of free trade agreements (FTAs), especially new-generation agreements like the EU-Vietnam FTA and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), will create substantial opportunities for Vietnamese enterprises to boost exports and attract more foreign investment, both direct and indirect. COVID-19 has also triggered a shift in production and supply chains to developing countries like Vietnam.

Local companies therefore need ready capital to seize investment and business opportunities, Thanh said.

Experts at the workshop noted that Vietnamese enterprises are over-reliant on bank loans while the credit market is currently "overloaded" since it has to concurrently provide short-, medium-, and long-term capital for businesses and the economy.

As the strength of Vietnamese banks remains modest, to ensure capital supply, they must borrow short-term capital, mostly from individual clients, to issue medium- and long-term loans, which poses considerable risk to the banks themselves as well as to businesses and the economy, they added.

Nguyen Hoang Phuong, Director of Business Training and Support at the Ho Chi Minh City Securities Corporation, said that listing on the Unlisted Public Company Market (UPCoM) and raising finance from the stock market are considered effective measures for companies with capital of less than 30 billion VND (1.3 million USD).

He also identified angel investors and venture capital funds as capital sources.

Le Anh Tu, a senior advisor at PwC Vietnam, said that due to the pandemic, enterprises around the world are now tending to seek capital from non-bank sources like the stock and bond markets or via crowd-funding and crypto currencies.

To meet demand in the post-pandemic context, the financial services sector has been introducing swift changes. Many fintech companies are also emerging and directly competing with banks. Traditional banks themselves have also had to quickly adapt to new trends to stay competitive, the workshop heard./.

5. Bright growth outlook for Vietnam in 2021: experts

Leading economic experts forecast an optimistic growth outlook for Vietnam in 2021 despite the COVID-19 pandemic.

According to the Ministry of Planning and Investment, key indexes show that the economy is bouncing back well and showing an optimistic trend.

In the first four months of this year, total retail sales of goods and consumer service revenue topped 1.69 quadrillion VND (over 73 billion USD), up 10 percent year on year, while exports were estimated at 103.9 billion USD, rising 28.3 percent.

Assoc Prof and PhD Dinh Trong Thinh, a senior economist from the Academy of Finance, noted that nearly 44,200 new enterprises were established during the four months, registering 627.7 trillion VND and over 340,000 employees. The figures respectively grew 17.5 percent, 41 percent, and 7.8 percent from a year earlier.

These encouraging statistics showed that businesses are confident in the recovery and growth capacity of the economy, he went on.

Assoc Prof and PhD Nguyen Thuong Lang from the National Economics University shared the view that the good macro-economic indexes indicate the economy has developed in a right direction over the last four months.

With that recovery trend, the economy will operate effectively in the coming months, he affirmed.

The Vietnamese economy is generally still in the recovery process, and it needs policy and mechanism support from the Government to further accelerate recovery and growth, according to Deputy Director of the Academy of Finance's Institute of Economics – Finance PhD Nguyen Duc Do.

PhD Tran Thi Hong Minh, Director of the Central Institute for Economic Management (CIEM), held that although Vietnam is one of the few countries having succeeded in controlling COVID-19, which has created a prerequisite for promoting domestic production and safely reopening the economy, it is also necessary to make a plan for a longer term that should include stepping up administrative reforms and boosting momentum for economic institutional reforms.

Andrew Jeffries, Country Director of the Asian Development Bank (ADB) in Vietnam, noted the economy is forecast to expand by 6.7 percent in 2021, with growth drivers being industry, especially export-oriented processing and manufacturing, investment increase, and trade expansion.Vietnam's trade turnover in the January-April period rose by a 10-year high growth of 29.5% year-on-year to reach US$206.5 billion, the General Statistics Office (GSO) has said in a monthly report.

6. Foreign investors maintain interest in Vietnam

Despite a year-on-year slip in foreign direct investment (FDI) to Vietnam in the first four months of the year, foreign investors still signed major deals in the country and confirmed its ongoing investment appeal.

In early April, the SK Group of the Republic of Korea announced the signing of an agreement with the Masan Group Corporation to acquire a 16.26 percent stake in VinCommerce, a Masan subsidiary, for a cash consideration of 410 million USD.

Japan's Sumitomo Mitsui Finance Group (SMFG) then outlaid 1.37 billion USD for 49 percent of FE Credit.

The two deals warmed up Vietnam's merger and acquisition (M&A) market, confirming that it is still attractive and that investors are still seeking valuable deals.

In the first four months of the year, FDI in Vietnam was not far below the figure in the same period last year thanks to major projects being signed, including a 3.1 billion USD gas-fuelled power plant in Long An province, the 1.31 billion USD O Mon II thermal power project in Can Tho city, and the adding of 750 million USD to the LG Display project in Hai Phong city.

Vietnam attracted a total of 12.25 billion USD worth of FDI in the period, equal to 99.3 percent of the figure in the same period last year, including 8.5 billion USD going to new projects.

According to Nakajima Takeo, Chief Representative of the Japan External Trade Organisation (JETRO) in Hanoi, its survey on business trends showed that the majority of enterprises believe it will be difficult to expand production and business in the next one or two years but still consider Vietnam to be a leading investment destination among ASEAN member countries.

Meanwhile, a recent survey by EuroCham revealed that European firms in Vietnam are confident about recovery in the country, with its Business Climate Index (BCI) hitting 73.9 points.

When asked about the prospects of Vietnam's business environment in the next quarter, 67 percent predicted either "excellent" or "good" - a 12 percent increase compared to the previous quarter.

7. Vietnam has potential to boost exports to US

Vietnam and the US have huge potential to boost cooperation in trade and supply chains after COVID-19 is brought under control, which opens up many opportunities for Vietnamese firms to increase exports to this major market.

Director of the Investment and Trade Promotion Centre of Ho Chi Minh City (ITPC) Nguyen Huu Tin said Vietnam and the US have enjoyed impressive strides forward in economic cooperative ties, with the US being Vietnam's largest export market and Vietnam being the US's 6th-largest importer.

According to Tin, Vietnam has affirmed its position as an important trade partner of the world's largest economy.

Thanks to the good control of COVID-19 in Vietnam, Vietnamese firms have a huge advantage over foreign rivals struggling to fight the pandemic, he said, while suggesting that improving business and production capacity and capitalising on the US market will provide opportunities for Vietnam's economy to develop further in the time to come.

In the first quarter of this year, two-way trade between the two countries topped 25.9 billion USD, up 33.5 percent year-on-year, with Vietnam's exports estimated at 22.2 billion USD.

The two governments and business communities have made efforts in the past to bolster cooperation in a practical fashion and based on the complementary nature of the two economies.

Experts said the US's demand for high-quality Vietnamese products has been increasing due to changes in the global supply chain, and US firms sees Vietnam as a potential, safe investment destination post-pandemic.

They noted the complementary nature of the two economies, with Vietnam having good production capacity in the fields of agriculture, seafood, and wood processing, among others, while the US is the world's leading materials supplier and has the strongest purchasing power.

However, they advised Vietnamese firms to select suitable measures to effectively access the US market, and strictly follow quality requirements of the US./.Both Brent and U.S. futures contracts hit their highest levels since mid-March in intraday trade before retreating. The $70-per-barrel mark has acted as a barrier for the market since March, with investors unwilling to push oil higher as coronvirus infections surge in parts of the world.

Corporate News

8. POW: PV Power rated "Positive" by Fitch Ratings

↓ -1.63%

Credit ratings agency Fitch Ratings has for the first time assigned the PetroVietnam Power Corporation (PV Power) a Long-Term Foreign-Currency Issuer Default Rating (IDR) of "BB" with a positive outlook.

The rating is on par with that of Vietnam and major groups such as the Vietnam National Oil and Gas Group (PetroVietnam) and Vietnam Electricity (EVN).

PV Power is the first Vietnamese power producer and the first unit of PetroVietnam to be assigned an international credit rating.

Despite the effects of the COVID-19 pandemic last year and in the opening months of 2021, PV Power still stably, safely, and effectively operated its power plants and fulfilled its targets.

Total output of commercial electricity reached 19.166 billion kWh last year, or 103 percent of the plan. The company earned over 30.2 trillion VND (1.31 billion USD) in revenue and posted more than 2.87 trillion VND in pre-tax profit, or 107 percent and 120 percent of the targets, respectively. Its contribution to the State budget exceeded 1.68 trillion VND, or 118 percent of the plan.

Its pre-tax profit stood at 720 billion VND in the first quarter of this year, or 106 percent of the plan.

With this rating from Fitch, it is expected that PV Power will have greater capacity to raise capital in the international market./.FPT has not disclosed the specific figure, but said that the stake acquisition is sufficient to integrate Base.vn into its financial statement.

9. TCB: Techcombank achieves US$238.1 million before-tax profit in Q1

↓ -0.11%

The bank continues to lead the market with a healthy 3.5 per cent return on assets (ROA) for the twelve months ending March 31, 2021. Capital position remains robust with Basel II CAR of 15.8 per cent at quarter end.

"Our robust first quarter performance built on the strong momentum from the fourth quarter of 2020. We continue to focus on consistent execution of our strategy and invest in digitalisation to scale our business to meet the needs of our growing customer base. For 2021 our priority will be on building foundational capabilities in data, digital, and talent to deliver the 2021-25 plan. While the benefits of these investments will become more evident over time we can see already some of the upside potential in parts of our business like bancassurance where improvements in digital, data and people have led to an 80.5 per cent year-on-year growth in the first quarter," said Techcombank CEO Jens Lottner.

The bank's Total Operating Income (TOI) grew 46.2 per cent to VND8.9 trillion in 2020, outpacing the 15.7 per cent increase in operating expenses.

Its total assets were VND462.8 trillion at the end of the first quarter, an increase of 18.1 per cent from a year ago. Total credit provided to customers as of March 31, 2021 was VND336.2 trillion, 26.7 per cent higher than the corresponding period last year.

The bank remains one of the best capitalised banks in Viet Nam with a Basel II Capital Adequacy Ratio (CAR) of 15.8 per cent, nearly two times higher than the Basel II Pillar I minimum requirement of 8 per cent.

NPL ratio was 0.4 per cent as at March 31, 2021, against 1.1 per cent last year and 0.5 per cent at the end of 2020.

Consolidated results also benefited from the robust performance of Techcom Securities (TCBS) which recorded revenues of VND1 trillion up 60.9 per cent year-on-year and before-tax profit of VND843 billion. TCBS captured 68 per cent of the corporate bond brokerage market share and more than 30 profit market share of new securities account openings in the first quarter of 2021.

TCBF, an open-ended bond fund managed by TCBS, continued to be the largest bond fund in the market with VND28.6 trillion, up 91 per cent year-on-year.

Techcombank added 245,000 net new customers in the three month period to bring total customers served to 8.6 million. Retail customer transaction volume during the period through Techcombank's e-banking channels increased to 136.9 million and value of transactions were nearly VND2 quadrillion, up 88.6 per cent and 101.8 per cent year-on-year, respectively.

Research Team: **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

Disclaimer:

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

Website: www.japan-sec.vn