# VIETNAM DAILY NEWS

JSI
JAPAN SECURITIES INC.

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# Market Analysis

## 1. Market to rally despite early corrections

Experts from securities companies said although the market may experience corrections early this week, it will soon return to an uptrend thereafter.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) rose 0.45 per cent to close Friday at 1,283.93 points.

It had gained 1.39 per cent last week.

More than 717.8 million shares were traded on the southern market last week during each session, worth VND22.3 trillion (US$964.4 million).

According to SSI Securities Joint Stock Company, after recovering from 1,250 points, the VN-Index was approaching the nearest peak at 1,286 points.

"It is likely that the index will see a slight correction when testing this resistance area before returning to the uptrend towards 1,350 - 1,400 points," SSI said.

MB Securities Joint Stock Company (MBS) said in general, the market had favourable conditions to go up to higher thresholds. However, the market was still facing difficulties due to system overloads.

BOS Securities Joint Stock Company said technically the VN-Index had surpassed 1,280 points with the support of strong cash flow.

However, the increasing divergence in the market and the adjustment pressure in blue-chips might affect the market in the coming sessions.

Most likely, the VN-Index would maintain the uptrend and move towards the resistance level of 1,300 points in the short term.

Regarding the movements of stocks, most of the stock groups increased last week. Information technology stocks increased the most, mainly due to the increase of pillar FPT Corporation (FPT), up 10.6 per cent.

It was followed by the oil and gas group, mainly thanks to the momentum of the pillars in the group, including Viet Nam National Petroleum Group (PLX), up 4.7 per cent.

Bank stocks also gained strongly last week, with notable gainers of Bank of Investment and Development of Vietnam (BID), up 5.7 per cent, Military Bank (MBB), up 5 per cent, Techcombank (TCB), up 4.4 per cent, Asia Commercial Bank (ACB), up 2.9 per cent, Vietinbank (CTG), up 2.7 per cent, VPBank (VPB), up 1.8 per cent, Saigon-Hanoi Bank (SHB), up 1.7 per cent.

The construction materials group rose with Hoa Phat Group (HPG) rising 6.8 per cent and Hoa Sen Group (HSG) climbing 3 per cent.

According to Saigon-Hanoi Securities Co (SHS), the market was witnessing large divergence between stocks with only a few gaining compared to many others falling or moving sideways, making it difficult to earn profits at this time.

"When the cash flow decides to withdraw, it is likely that the market will correct sharply like what happened in April 2018," SHS said.

"It is obvious that the Vietnamese stock market has reached a historic peak thanks to internal supportive elements, one of which being strong domestic cash flow,' it said.

Meanwhile, on the Ha Noi Stock Exchange (HNX), the HNX-Index gained 0.98 per cent to close Friday at 297.99 points.

It had gained 1.1 per cent last week.

An average of 144.2 million shares were traded on the northern market during each session last week, worth VND3.1 trillion.

# Macro & Policies

## 2. German media laud Vietnam's pandemic efforts and stock market potential

German financial newspaper Finanznachrichten ran an article on May 19 covering the upcoming election of deputies to the 15th National Assembly and People's Councils at all levels for the 2021-2026 tenure as well as the COVID-19 situation in Vietnam, expressing a belief that the country is controlling its latest outbreak.

The article quoted Director of the Germany Trade and Invest Office in Hanoi Frauke Schmitz-Bauerdick as saying that observers believe Vietnam is doing a good job in curbing the new outbreak and can continue with its economic strategies.

Despite COVID-19, she said, Vietnam was one of only a few nations to post growth last year, of 2.9 percent. The Asian Development Bank has forecast that growth may reach 6.7 percent this year and 7 percent next year.

Public investment, especially in infrastructure, as well as personal consumption by the country's growing middle-class and strong exports will propel growth this year.

As of late April, she added, newly-registered investment capital stood at 8.5 billion USD, up 24.7 percent year-on-year.

Meanwhile, the Handelsblatt newspaper spoke highly of the potential of Vietnam's stock market due to the high earnings on offer, especially in stocks and bonds.

It named several funds possessing a high ratio of Vietnamese bonds, such as Magna New Frontiers, MSCI Frontier Markets, the Xtrackers S&P Select Frontier Swap ETF, Global Investment Funds - Frontier Markets, and Frontier Markets Funds.

## 3. Industrial zones placing Apple suppliers temporarily suspend operation

Bac Giang suspended the operations of four out of six industrial zones (IZs) in the province from May 18. The affected zones include Van Trung, Dinh Tram, Song Khe-Noi Hoang, and Quang Chau.

Le Anh Duong, Chairman of Bac Giang People's Committee, said that the suspension time will depend on the COVID-19 pandemic situation, but it is not expected to last long enough to have a significant effect on the manufacturing operations of the enterprises in these zones.

He added that by strictly complying with the preventive measures, it will certainly be possible to stop the spread of the pandemic in a short time.

According to the province's notice, suppliers of Apple Inc. like Foxconn Technology Group (Foxconn) and Luxshare-ICT Ltd. were among those who had to temporarily close their factories in Van Trung and Quang Chau IZs.

Bac Giang temporarily stopped the operations of the four IZs after testing nearly 140,000 workers for COVID-19 infections. Those who tested negative were sent back to their places of residence, for temporarily isolation at home following the directions of the government.

The province also prevented workers from returning to their home towns.

On May 19, Bac Giang recorded 603 cases of F0, 8,804 cases of F1, and 36,833 cases of F2.

## 4. Vietnam's GDP growth to expand by 7 pct in 2021: AMRO report

Vietnam's GDP growth is expected to rebound to 7 percent in 2021, driven by a recovery in goods and service export, resilient domestic economy, and healthy investment inflows, according to the ASEAN 3 Macroeconomic Research Office (AMRO).

In its Annual Consultation Report on Vietnam published on May 19, which was produced based on AMRO's virtual 2020 Annual Consultation Visit to Vietnam and data and information available up to February 11, 2021, the office said Vietnam's manufacturing output continued to expand thanks to robust exports and positive spillover from global supply chain restructuring.

The economic recovery is expected to continue on the back of an increase in domestic consumption following the relaxation of mobility restrictions, and an acceleration in public investment disbursement, it noted.

The report said continued policy support of the Government remains essential to bolster national economic recovery.

Effective food supply chain management and stable fuel prices will help the Vietnamese government keep inflation below 4 percent in 2021, the report stressed.

Vietnam needs to step up its efforts to develop domestic supporting industries in order to strengthen its participation and increase its value-add in the global value chains.

The ASEAN 3 Macroeconomic Research Office (AMRO) is an international organisation established to contribute towards securing macroeconomic and financial stability of the ASEAN 3 region, comprising 10 ASEAN member nations, China, Hong Kong (China), Japan and the Republic of Korea.

The Annual Consultation Report was prepared in fulfillment of AMRO's mandate. The organisation is committed to monitoring, analysing and reporting to its members on their macroeconomic status and financial soundness.

## 5. PM approves action plan for UKVFTA implementation

Prime Minister Pham Minh Chinh has approved the action plan to realize the UK-Vietnam Free Trade Agreement (UKVFTA).

Under the plan, the PM urged ministries and provinces/cities to continue disseminating information on the UKVFTA, the UK and Northern Ireland markets to related parties, especially those under direct impacts from the deal, including farmers, fishermen, state agencies, business community, and cooperatives.

The Ministry of Industry and Trade (MoIT) would serve as a focal point to provide information on Vietnam's commitments and instruction on their implementation as well as related issues of the UKVFTA.

The PM assigned the MoIT to improve understandings and forecast on the UK markets, saying this is a key step to help local enterprises timely access information and requirements on technical specifications and customs regulations in UK; step up trade/investment promotion activities in the UK.

Chinh called for government agencies to finalize necessary legal framework to ensure effective implementation of the UKVFTA; provide supporting programs to enhance competitiveness for associations and businesses, especially those of small and micro sizes, as well as farmers; setup plans to support sectors, products and goods that would be under direct impacts from the UKVFTA.

The action plan stressed the necessity to support local enterprises better integrate into global and value supply chains having the participation of their UK peers to take advantages from the UKVFTA; offer more incentives for UK enterprises to form linkages with Vietnamese partners in a move to setup new supply chains.

*The UKVFTA was signed on December 29, 2020 in the UK and become effective on May 1, 2021.*

*Under the UKFTA commitments, six years since the coming into effect of the deal, the UK will remove tariffs for 99.2% of goods imported from Vietnam, or 99.7% of Vietnam's exports to the country.*

*Meanwhile, Vietnam will immediately remove tariff for 48.5% of goods from UK, or 64.5% of import volume. The figure is set to rise to 91.8% or 97.1% of UK exports to Vietnam in six years.*

*Vietnam is expected to have more opportunities in attracting investment capital, technology transfer, and tourists from the UK once the Covid-19 is contained. In return, UK enterprises and products would have an open access to a market with 100 million people.*

## 6. Investment in export EPZs, IZs in HCM City up nearly 23 percent

Export processing and industrial zones in HCM City have attracted 236.1 million USD in investment so far this year, including new and additional capital, an increase of 22.87 percent year-on-year.

Foreign direct investment (FDI) totalled over 125 million USD, double year-on-year, with three new projects and four adding capital, according to the HCM City Export Processing and Industrial Zones Authority (Hepza).

Of domestically-invested projects, 13 were new while six added capital.

For-lease warehouse construction attracted the most funding, accounting for 68.83 percent of the total, followed by pharmaceutical products, software, and food.

Hepza head Hua Quoc Hung said that as Vietnam and HCM City in particular have contained the COVID-19 pandemic, more domestic and foreign investment has come.

The municipal People's Committee and Hepza have adopted solutions to help investors overcome the difficulties caused by the pandemic and the impact of the global economic uncertainties, he added.

He also, however, pointed to challenges regarding the narrowing land fund, investment structure, environmental pollution, and technical and social infrastructure.

Given this, Hepza will step up solutions to increase the land fund and work to improve investment quality, focusing on sectors with high scientific-technological content and added value, particularly mechanics, he said.

## 7. Banks warned about loans to big corporate customers

Although banks have tried to boost retail credit for individual customers in recent years, big corporate customers are still their main targets as a credit contract with a large enterprise can bring a profit hundreds of times higher than that of thousands of small credit contracts of individual customers.

The SBV said bad debts of large corporate customers in 2020 increased compared to the end of 2019. The total outstanding loans that banks lend to large enterprises exceeded VND3.2 quadrillion, accounting for more than 30 per cent of the total outstanding loans of the entire economy. Of which, bad debts accounted for 1.65 per cent of the loans. Notably, bad debts for enterprises with outstanding loans of VND5 trillion or more was 2.42 per cent, higher than the average bad debt ratio of the banking system.

As many banks are increasingly dependent on large corporate customers, risks have increased.

Although the SBV did not specifically mention the VND3.2 quadrillion loans, it is estimated that the large enterprises mainly operate in the real estate sector.

According to experts, real estate credit is not bad because the real estate market is a fundamental market and its development will lead to the growth of the entire economy. However, the SBV's warnings about large corporate credit and real estate credit are understandable.

First, some banks are too focusing on a number of large enterprises. At many banks, real estate credit is not only reflected in huge corporate loans but also huge corporate bond investments.

Second, in terms of data, cross-ownership in the banking sector has decreased sharply, but in reality, this relationship is increasingly complex. General meetings of shareholders in the banking industry this year also witnessed many new bosses appointed who also run large real estate groups.

Third, banks could face liquidity difficulties if they lend too much capital for a few large enterprises, as in recent cases when banks have struggled with loans worth tens of thousands of billion dong to build-operate-transfer (BOT) enterprises that have failed to pay their debts due to difficulties in their business.

When lending to enterprises, banks always have tools to calculate and prevent risks. However, avoiding too much focus on large customers will spread risks, experts said.

Experts suggested to deal with the risks, under a project to restructure the system of credit institutions associated with bad debt settlement for 2021-25, the SBV should draft the restructuring with a focus on asset quality but not the size of banks. Many countries are also trying to develop small but quality banks, which lend to individual customers and small and medium-sized enterprises, instead of depending too much on big enterprises.

In addition, to reduce risks for banks, the SBV must gradually raise banks' risk governance standards, require them to be more transparent about governance and improve the independence of the banks' executive boards.

# Corporate News

## 8. SSI: SSI becomes first with market cap above $1 billion

↑ 1.30%

SSI's capitalisation is approximately twice as high as that of the second-ranked brokerage Viet Capital Securitas (VND12.2 trillion or $530.43 million).

Elsewhere, Ho Chi Minh Securities (HSC) and Saigon-Hanoi Securities (SHS) have market capitalisations of VND10.8 trillion ($469.57 million) and VND6.5 trillion ($282.6 million), respectively.

Since the beginning of 2021, the shares of some major securities companies have soared signficicantly, by 20-40 per cent, with some even nearly doubling.

In 2021, SSI expects to record VND5.263 trillion ($228.83 million) in revenue and VND1.870 trillion ($81.3 million) in pre-tax profit. This plan is equivalent to an on-year increase of 29 per cent in revenue and 20 per cent in pre-tax profit, respectively. This is also the most ambitious target among listed securities companies.

The next three peers, Viet Capital Securities, HSC, and VNDIRECT, set targets ranging from VND1.1 trillion ($47.83 million) to VND1.2 trillion ($52.17 million).

SSI's ambitious target will remain in line with the company's sustainable development plan, the company emphasised.

In terms of margin lending, SSI's outstanding loan by the end of the first quarter reached VND11.123 trillion ($483.6 million), lower than its equity, whilst some other competitors have approached the maximum level of twice their equity, according to Vietnamese regulations.

Last December, SSI inked a deal with a group of nine foreign banks led by the Union Bank of Taiwan for an unsecured loan worth $85 million.

A few days ago, the Ministry of Finance has just issued Circular No.30/2021/TT-BTC on extending the validity of Circular No.14/2020/TT-BTC dated March 18, 2020 amending and supplementing a number of articles of the Circular No.127/2018/TT-BTC dated December 27, 2018 on regulating service prices in the securities sector, applied at the Stock Exchange and Vietnam Securities Depository (VSD) to support relevant organisations and individuals impeded by the pandemic. The new Circular will take effect until December 31, 2021, from July 1.

Accordingly, companies will also enjoy free services for listing registration, securities registration, initial online connection, margin lending through the VSD, registration for derivatives market membership, and registration for trading settlement membership.

Based on the new charge cuts, securities firms, asset management companies, and investment funds will work to lower their charges to support the local market, which has been vulnerable due to the pandemic.

This fresh move, coupled with low interest rates and a variety of digitally-led trading platforms, will undoubtably boost the local stock market.

## 9. VPB: Moody's may upgrade VPBank's ratings

↑ 1.50%

Moody's is considering upgrading the bank's long-term local and foreign currency deposits and issuer ratings (currently at B1 with a stable outlook), baseline credit assessment (BCA), long-term counterparty risk rating and many other important ratings relating to credit and risk control.

In the first quarter of the year, VPBank achieved positive business results, surpassing its targets.

By the end of March, its total integrated assets exceeded VND436 trillion, up 4.1 per cent from the same period last year. Its consolidated credit growth increased by 2.8 per cent from the corresponding period last year to reach VND332 trillion. The strong credit growth was led by strategic segments of individual customer and small-and-medium enterprises (SMEs) with year-on-year increases of 7 per cent and 11 per cent respectively. Its pre-tax profit reached VND4 trillion in January-March. This was the first time the bank achieved this level in the first quarter of a year.

With revenue diversification, reasonable credit growth, minimising capital costs and optimising operating costs, VPBank's total consolidated pre-tax profit in the first quarter of 2021 has grown strongly at 37.6 per cent over the same period last year. With this result, the bank's performance indicators as of March 31 continued to be improved and ranked at the top of the market, with return on asset (ROA) and return on equity (ROE) reaching 3 per cent and 23.5 per cent respectively.

VPBank also signed an agreement to sell a 49 per cent stake in FE Credit to Japan's Sumitomo Mitsui Finance Group (SMFG) in a transaction that values the non-bank lender at US$2.8 billion.

The investment would help VPBank enhance its financial capacity and create opportunities to expand new business areas such as investment banking and wealth management.

The bank plans to increase its equity from the current VND56 trillion to VND90 trillion as well as increasing charter capital to VND75 trillion in 2022 thank to the profit from divestment from FE Credit.

If the capital increase plan is successful, VPBank will be among the top Vietnamese banks with the largest equity and chartered capital.

At its general meeting of shareholders held at the end of April, the bank set a total asset target of VND490 trillion, increasing 17.5 per cent, and customer deposits at 19.2 per cent to more than VND350 trillion. Its pre-tax profit is expected to increase by 27.9 per cent to more than VND16.6 trillion.

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