



VIETNAM DAILY NEWS

May 25th, 2021



Table of content

Table of content

1. VN-Index inches closer to 1,300 point-level
2. Global rating agencies raise Vietnam's outlook to "positive"
3. Vietnam's April tuna exports skyrocket
4. US companies concerned about COVID-19 resurgence and vaccine availability in Vietnam
5. Locals step up M&A retail strategy with foreign players
6. Japanese beverage firm helps coffee growers in Vietnam
7. Transport sector faces numerous difficulties due to COVID-19
8. MSN: Masan in strategic tie-up with Phuc Long to open coffee-tea kiosks at VinMart+ stores
9. HPG: Dragon Capital sells 800,000 shares of HPG

Market Analysis

1. VN-Index inches closer to 1,300 point-level

Viet Nam's stock market opened Monday on a positive note, heading to new historic high of 1,300 points. Meanwhile, foreign investors still fled the market with a total net sell value of nearly VND668 billion.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) closed the trading day at 1,297.98 points, edging 14.05 points higher, or 1.09 per cent. Last week, the index gained 1.39 per cent.

The market breadth stayed positive with 259 stocks rising while 158 stocks slid. And 46 stocks ended flat.

The liquidity surged as local investors poured nearly VND23.64 trillion into the market, equivalent to over 715.5 million shares being traded.

Bao Viet Securities Company said that the market is expected to fall in the last session.

"The VN-Index will face strong fluctuations when it approaches the resistance territory of around 1,285 points," the securities firm added.

According to the company, the market and stock groups will not receive much supportive information during this period. Therefore, the market continues to see strong divisions between stocks' lines, as well as some large-cap stocks.

The market was supported by pillar stocks, especially stocks in banking, material and real estate sectors.

The VN30-Index, tracking 30 biggest stocks on HoSE, posted a gain of 0.38 per cent to 1,430.48 points. Twenty-three of 30 stocks in the VN30 basket jumped, while only seven stocks fell.

Vietinbank (CTG) was still the leader of the market's rally, up 6.11 per cent. Other stocks like Vietnam Rubber Group (GVR), Vinhomes JSC (VHM), JSC Bank For Investment and Development of Vietnam (BID) and Vietnam Dairy Products JSC (Vinamilk, VNM) also witnessed outstanding performance with these stocks up in the range of 2 - 7 per cent.

On the Ha Noi Stock Exchange (HNX), the HNX-Index climbed 0.79 per cent to 300.33 points. The index was also boosted by large-cap stocks as the HNX30-Index increased 1.44 per cent to 453.52 points.

During the trading session, over 110.87 million shares were traded on the northern bourse, worth VND2.54 trillion.

Despite the market remaining bullish, foreign investors kept fleeing as they net sold a total value of nearly VND668 billion.

Of which, they net sold a value of VND645.3 billion on HoSE, a value of VND3.86 billion on HNX and a value of VND18.82 billion on UPCOM.

Macro & Policies

2. Global rating agencies raise Vietnam's outlook to “positive”

Vietnam is the only country in the world having its outlook upgraded to “positive” by three major rating agencies of Moody's, Standard and Poor's (S&P), and Fitch since the Covid-19 outbreak.

S&P on May 21 announced its decision to keep Vietnam's sovereign rating unchanged while raising the outlook from “stable” to “positive”.

S&P explained a positive assessment on Vietnam's prospect was due to the country's impressive economic achievements and continuous regulatory reform at a time when the pandemic is causing negative impacts on socio-economic development.

Following Vietnam's GDP growth among the highest in the world last year, S&P expected the country would continue to maintain its economy in good shape for recovery in one or two years, thanks to effective measures to contain Covid-19 situation domestically; an attractive investment destination in Southeast Asian for FDI inflows; stable trade performance; and strong domestic demand.

Meanwhile, the flexible management of fiscal policy and public debt under control have also played a part in helping Vietnam cope with the pandemic.

The pandemic has caused the global economic recession, with rating agencies dropping their ratings and outlooks last year for countries/territories by 124 and 133 times, respectively.

As of May 21, 16 countries received low ratings from Moody's, S&P, and Fitch.

Vietnam's Ministry of Finance (MoF) said the country remains steadfast in pursuing the goal of stabilizing macro-economic conditions, bolstering economic resilience, and pushing for institutional reform along with efforts against the pandemic.

“This would help the country create a solid foundation to realizing its mid-and long-term goals, as well as raising the rating outlook,” said the MoF.

In April, Fitch revised Vietnam's outlook to positive from stable, while affirming the Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB'.

Moody's in March announced a similar move, saying “the drivers of the positive outlook include signs of improvements in fiscal strength and potential improvements in economic strength that may strengthen Vietnam's credit profile over time.”.

3. Vietnam's April tuna exports skyrocket

During the first four months of this year, the country's tuna export revenue reached US\$226 million, inching up 15% versus last year's figure.

Vietnam has shipped tuna products to 63 markets around the world, down 27 markets compared to last year's figure. The country recorded positive growth in tuna export revenues from the EU, the United States, Israel and member economies of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Specifically, the United States remains Vietnam's biggest tuna buyer, accounting for 41% of Vietnam's tuna export volume, equivalent to 7,000 tons being

shipped annually. Last month, Vietnam's tuna exports to the United States soared 56% versus the 2020 figure. Further, the export of fresh and frozen tuna products increased, while that of canned items declined.

In the EU and CPTPP markets, Vietnam's tuna exports expanded from 31% and 42% in March to 37% and 47% in April, respectively.

VASEP forecast that Vietnam's tuna exports to these markets will continue to rise in the upcoming period thanks to tariff incentives buoyed by free trade agreements.

4. US companies concerned about COVID-19 resurgence and vaccine availability in Vietnam

The American Chamber of Commerce in Hanoi (AmCham) surveyed its members last Friday about the business impact of the ongoing coronavirus outbreak in Vietnam. The survey focused on business operations, travel and activity restrictions, burdensome procedures for in-bound arrivals, and the availability of vaccines in Vietnam.

Accordingly, over 90 per cent of AmCham members responding to the survey said the current outbreak has affected their business operations. The biggest challenges are a lack of available vaccines to protect their team members and not being able to bring necessary people into the country due to burdensome travel requirements and paperwork.

Over 70 per cent of respondents say their company is currently restricting work travel in Vietnam. Around 90 per cent of AmCham members have cancelled work or personal travel due to the current outbreak that has found infections in 30 cities and provinces here.

"The health and safety of people in Vietnam should remain the government's No.1 priority. At the same time, it is important to recognise that in-bound travel brings in the foreign experts and business people necessary to facilitate new investment, efficient operations, key infrastructure, education of Vietnamese children, and more," AmCham's executive director Adam Sitkoff said.

Survey results found that 81 per cent of members say their company would bring more people to Vietnam if the mandatory quarantine period was reduced from 21 days to seven days.

"The pandemic will likely continue causing disruptions and lock people inside a room for many weeks which might seem like a good idea today, but Vietnamese policymakers need to think seriously about a safe and simple system of documentation that will facilitate international arrivals here. Vaccines have proven safe and effective. AmCham encourages authorities to implement less burdensome entry procedures for fully vaccinated business people, foreign experts, and maybe even tourists," Sitkoff added.

In the survey responses, AmCham members repeatedly stressed the need to get more people vaccinated. In fact, 88 per cent of respondents said they or their company would pay money to receive a high-quality vaccine here.

The AmCham executive director again offered to gather financial resources from companies if the government would guarantee quick vaccine availability for their team members. He added that vaccine availability is the top issue on the minds of AmCham members right now and that until many more people get jabbed in the arm, "we will likely see additional outbreaks and disruption from the virus here."

5. Locals step up M&A retail strategy with foreign players

South Korea's largest supermarket chain E-mart is selling its retail store business in Vietnam to THACO Group after hitting road bumps to expand in the market. Accordingly, the local business will be converted to a franchise model managed by THACO, which will pay royalty fees to E-mart.

Since its debut in Vietnam in 2015, E-mart planned to open 10 hypermarkets within five years. At present, the retailer has only one hypermarket in Go Vap district of Ho Chi Minh City. The retailer failed to

realise its expansion plans due to challenges in securing licenses and development sites.

Last year, E-mart was rumoured to pull out of Vietnam, its second major Asian market after China. However, general director of the Vietnamese arm Chun Byung Ki refuted the news.

However, the deal marks the withdrawal of the South Korean retailer from the Vietnamese market. At the same time, THACO Group makes deeper

venture into the retail scene. THACO Group is one of the leading car manufacturers in Vietnam and the fourth-largest firm in the country. The group also owns a number of business sites and shopping malls.

E-mart expects that through the alliance, THACO can open over 10 discount stores in Vietnam by 2025.

"Our strategic alliance with THACO will not only pay us royalties for using the E-mart brand in Vietnam, but also give us the opportunity to export our private brand of products," an E-mart employee said.

In the past two months, Vietnamese conglomerate Masan Group has attracted over \$800 million funding for its retail businesses just in the past two months. Alibaba Group Holding Ltd. announced that it is leading a \$400 million investment in the retail unit of Masan Group Corp. A consortium led by Alibaba and Baring Private Equity Asia, is taking over a 5.5 per cent stake in The CrownX, which combines VinCommerce and Masan Consumer Holding.

In April, SK Group, South Korea's third-largest conglomerate, also spent \$410 million to scoop up a 16.3 per cent stake in VinCommerce in April.

The foreign investors are pinning their hope on Masan's retail businesses, which controls over half of Vietnam's retail market. Specifically, VinCommerce operates 2,300 convenience stores and supermarkets – and that's just offline. It has a vision to become an omni-channel operator, serving customers through both traditional bricks-and-mortar stores and emerging online channels to deliver new value to the market.

Meanwhile, Becamex IDC joined forces with Central Retail Vietnam to develop the GO! shopping mall in Ben Cat town of Binh Duong province.

Langlet Olivier Bernard, general director of Central Retail Vietnam said, "GO! shopping mall construction project at Ben Cat town has a scale of three floors with a planning area of three hectares, and total investment of \$35 million. The mall will feature fashion business stores, dining areas,

supermarket, and entertainment zones, thereby transforming the facade of the local retail sector and contributing to the economic and social development of Ben Cat Town in particular and Binh Duong province in general."

"With the aim of delivering the best shopping experience to people with high-quality services, Becamex IDC will enable Central Group to continue their research and investment in diverse retail models in other localities outside of Binh Duong as well, where Becamex IDC is operating. We hope that Becamex IDC and Central Group can fully capitalise on each other's potential," said Pham Ngoc Thuan, general director of Becamex IDC.

Commenting on this trend, Matthieu Francois, associate partner of McKinsey & Company, said that local players are typically taking the lion's share of the market in most retail categories and might, at some point, face increased need for funding. However, foreign retail concepts do not easily resonate with Vietnamese buyers who are generally loyal to local brands, except for convenience stores.

"This might urge foreign players to consider investments in local ventures that could be more attractive to some than a greenfield venture, while also holds appeal for local players that are looking to lift their profitability," he added.

Indeed, Vietnam has witnessed the growing partnership of local and foreign partners to bet on the potential of the local retail market. Most recently, Japan's Sumitomo Corporation has joined forces with Vietnamese firm BRG Group to launch its third FujiMart supermarket in Hanoi. With extensive experience and strong financial capabilities, the Japanese group expects to contribute the growth of Vietnam's retail market.

According to a report by Euromonitor International, Vietnamese retailing was active in terms of M&As in 2019-2020. For example, at the end of December 2019, VinGroup sold its retailing business to Masan Consumer. In 2021, overall retailing in Vietnam is expected to return to the dynamic value sales growth rates that were being registered pre-pandemic.

6. Japanese beverage firm helps coffee growers in Vietnam

Japanese beverage company Kirin Holdings is stepping up support for coffee growers in Vietnam, amid a growing consumer demand for sustainable products.

Japanese newspaper Nikkei Asia reported that the company is training farmers in sustainable production methods, including soil management, helping them obtain certification from an international accreditation organisation that promotes sustainable farming.

Kirin aims to extend support to farms in 700 locations, double the current figure, by the end of the year.

The firm helps Vietnamese coffee growers get certification from the Rainforest Alliance, a US-based non-governmental organisation. To be certified, farmers must not only refrain from using

excessive amounts of agrochemicals and work to protect biodiversity but also enhance production efficiency and quality, and improve conditions for farmworkers.

Since last year, Kirin has supported 350 Vietnamese coffee farms, helping growers conserve water, protect rivers from pollution and introduce better cultivation methods for areas with low sunlight.

Vietnam is the world's second-largest coffee bean producer after Brazil. Vietnamese coffee represents about 30 percent of the ingredients Kirin uses in its products.

Thanks to increased consumer awareness, sales of beans certified by the Rainforest Alliance grew sharply around the world last year, rising 15 percent from the previous year.

7. Transport sector faces numerous difficulties due to COVID-19

Although they have reduced their workforces and slashed operating costs, firms still face bankruptcy.

Khuc Huu Thanh Hai, director of Dat Cang Transport, Trading and Service Joint Stock Company, said his company had temporarily suspended about 80 per cent of their vehicles from operation.

Among the vehicles still in operation, the highest number of passengers per vehicle only reached about 20 per cent compared to the past, he said.

"We still do not know when we will fully recover," he said.

The situation would be much worse if the pandemic's developments stayed complex like now, he said.

"We can't think of another way to survive except for minimising costs," he added.

Do Van Bang, director of Minh Thanh Phat Company Limited said since early May, most of the company's coaches were suspended from running due to a lack of passengers.

The company had 100 coaches, however, only 2-3 coaches were in use, he said.

Currently, the company only earned VND2 million (US\$86) per trip from Ha Noi to Lao Cai while the operating cost for a trip was up to VND7.5 million (\$324), he said.

Thus, the revenue failed to cover operating costs, he said.

"The number of passengers is very small, many drivers and employees have quit their jobs," he said.

Many bus stations have fallen into the same situation because of the absence of vehicles entering the station.

Ly Truong Son, director of My Dinh Bus Station, said an estimated 800 buses departed daily before the pandemic.

But now the number was only 350 and the number of passengers was very small, he added.

"If the COVID-19 pandemic still shows complex developments, both transport companies and bus stations will go bankrupt," he said.

The railway and air transport sectors have the same problems.

Nguyen Viet Hiep, general director of Ha Noi Railway Transport Joint Stock Company, said due to the impacts of the pandemic, in the first quarter of 2021, an average of 550 labourers had their contracts suspended each month and the company also terminated the contracts of 66 others each month.

Statistics of the Civil Aviation Authority of Viet Nam show that on April 29, Vietjet Air operated 366 flights, transporting more than 60,000 passengers, by May 15, there were only 61 flights and 8,000 passengers. On April 29, Vietnam Airlines operated more than 420 flights and transported more than 70,000 passengers, by May 15, the numbers were only 45 flights and 6,000 passengers.

Other airlines are in the same situation.

Solutions

In response to the situation, the Ministry of Transport has submitted some policies to Prime Minister Pham Minh Chinh to help the transport sector survive during the pandemic.

The ministry proposed extending the policy of reducing 50 per cent of fees for aircraft take-off and landing services for domestic flights as well as extending policies providing favourable credit deals, bank interest rates and payment terms for businesses.

For transport enterprises, the ministry proposed extending the validity of Circular No. 112/2020 on the collection of some fees and charges until the end of 2021 to extend the time of reducing 30 per cent of road maintenance fees for coaches and 10 per cent for trucks until the end of this year.

The ministry also asked to reduce the value-added tax to zero, reduce 50 per cent of corporate income tax for companies seriously affected by the pandemic, delay payment for six months for the tax amounts that companies had to pay until the end of 2021 and charge no fees for parking and picking up passengers at airports, train stations and ports.

The State Bank of Viet Nam and commercial banks were asked to continue implementing policies to support transport companies by reducing or not charging interest on loans and offering debt rescheduling, the ministry said.

Corporate News

8. MSN: Masan in strategic tie-up with Phuc Long to open coffee-tea kiosks at VinMart+ stores

↑ 0.09%

The latter owns Phuc Long, one of the leading tea and coffee brands in Viet Nam.

As part of the transaction, VinCommerce entered into a strategic co-operation agreement with Phuc Long to jointly develop 'Phuc Long Kiosk' at more than 2,200 VinMart+ stores nationwide.

Phuc Long Kiosk will bring fresh and delicious tea and coffee drinks to 100 million Vietnamese consumers, playing an important part in converting the VinMart+ stores into a destination that satisfies the daily essential needs of consumers of all ages.

Viet Nam's tea and coffee market is valued at \$2.3 billion and expected to grow by more than 10 per cent a year. But branded tea and coffee retail chains, including popular brands such as Highlands Coffee (over 300 stores), The Coffee House (over 150 stores) and Starbucks (over 70 stores), only account for 25 per cent of the market.

Given a young consumer base that aspires for innovative products and services, both Masan and Phuc Long believe that branded tea and coffee chains will explode in the next decade.

With the trial results of four kiosks in HCM City in the last three months, the two sides are confident of achieving the target of 1,000 Phuc Long Kiosks in the next 18-24 months.

Lam Boi Minh, founder of Phuc Long Heritage, said, "After 50 years of experience growing and developing the highest quality of tea leaves and coffee beans coupled with relentless innovation and strong passion, the Phuc Long team has created for consumers coffee and tea drinks with unrivalled quality.

"We are proud to have achieved important milestones in our first phase of development - building a network of 82 stores and a Phuc Long

brand that is trusted and loved by consumers, especially youths.

"I believe that by partnering with Masan Phuc Long will unlock the next phase of growth and continue to offer Vietnamese consumers high-quality products and delightful experiences in enjoying tea and coffee drinks while making Phuc Long a long-lasting brand for many generations."

Truong Cong Thang, CEO of VinCommerce, said: "As two Vietnamese power brands who are synergising their strengths, VinMart+ and Phuc Long are proud to serve Vietnamese people by uplifting their material and spiritual lives. Masan deeply appreciates the achievements of Phuc Long, as well as the passion and enthusiasm of its founder Lam Boi Minh.

"I believe that in combining the Phuc Long products and VinMart+ network of more than 2,200 stores today and 10,000 stores in the next five years, we will provide 100 million Vietnamese consumers with the opportunity to enjoy the freshest, most delicious tea and coffee drinks. With the goal of serving daily essential products that meet 'The Very Best of Fresh' standards, we believe that each VinMart+ store will transform into a symbol of modern lifestyle, a destination for all ages, from youths to housewives, across Viet Nam.

"In the near future we hope to take the Phuc Long tea and coffee brands global, contributing to spreading our cultural identity and promoting the signature drinks of Viet Nam. At the same time this partnership also helps speed up Masan's strategy to develop the Point of Life consumer ecosystem."

Under the agreement with VinCommerce, Phuc Long Kiosk will share 20 per cent of its revenues with VinMart+.

If the results of the trial are an indication, the partnership will increase the profit margin for VinMart+ by more than 4 per cent.

Founded in 1968 at Bao Loc, the upland famous for its tea, and with its first retail store opened in HCM City, Phuc Long began supplying high-quality coffee and tea products in which the traditional

Vietnamese taste was preserved and combined with an appealing modern style.

9. HPG: Dragon Capital sells 800,000 shares of HPG

↓ -0.30%

The transaction date was May 19.

The funds that sold HPG shares were CTBC Vietnam Equity Fund selling 650,000 shares, DC Developing Markets Strategies Public Limited Company, 100,000 shares, and KB Vietnam Focus Balanced Fund, 50,000 shares.

At the beginning of April, this group bought 1.2 million HPG shares to increase the volume from 198.7 million to 199.92 million shares, equivalent to an increase of 5.99 per cent to 6.03 per cent of ownership.

HPG shares in the past three months have increased sharply from VND46,000 (US\$1.99) per share to VND65,600 per share, equivalent to an increase of 42 per cent.

Based on the current price range, Dragon Capital group has collected about VND52.5 billion after

selling 800,000 shares and currently holds a volume of HPG stock worth VND13 trillion.

HPG's gain was supported by positive business results in the first quarter. The corporate revenue reached VND31.18 trillion, up 62 per cent. Profit after tax was VND7 trillion, three times higher than the same period last year.

Regarding sales of steel products, in the first four months of this year, the enterprise sold 2.66 million tonnes of billet, finished construction steel and hot-rolled coil (HRC).

Construction steel alone reached 1.28 million tonnes, up 28 per cent. Export output of square billet reached 507,000 tonnes, up slightly over the same period last year.

Sales of hot rolled coil reached 878,000 tonnes. Steel pipes and galvanised steel also grew well, reaching 271,000 tonnes and 93,000 tonnes, respectively, up 32 per cent and 2.6 times over the same period last year, respectively.

Research Team:**Tsugami Shoji**

Researcher

jsi@japan-sec.vn**Disclaimer:**

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

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