VIETNAM DAILY NEWS

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JSI
JAPAN SECURITIES INC.

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Market Analysis

1. Market retreats, VN-Index loses more than 9 points

Shares plunged on Thursday as selling pressure continued to weigh on market sentiment.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) inched down 9.32 points, or 0.7 per cent, to 1,323.58 points. The index rose nearly 1 per cent yesterday afternoon after falling for two straight sessions.

The market's breadth remained negative as 236 stocks fell while 162 stocks climbed.

The liquidity was also high with more than 723.2 million shares traded, worth over VND25.3 trillion (US$1.1 billion).

The fall was mainly due to losses in pillar stocks, mostly in banking and real estate sectors.

The VN30-Index, which tracks the 30 biggest stocks in market capitalisation on HoSE, fell 0.45 per cent to 1,451.18 points. Of the VN30 basket, twenty-one stocks declined while only six edged higher. And three stocks ended flat.

Tran Xuan Bach, senior stock analyst of Bao Viet Securities Company, said that the index is likely to retreat to the support territory at the 1,285 - 1,300 point-level in the next few sessions.

However, the index can bounce back once it approaches this support zone, he added.

"In general, the market might turn negative in the short term if the index breaches the support level of 1,285 points," Bach said.

He also suggested that investors reduce the proportion of stocks in their portfolios to 35 - 45 per cent.

"We are concerned about the market's trend in the near future. Therefore, the recoveries of the market in the short-term are considered to be the chance to lower their holds in stocks to safer levels," Bach added.

Top stocks leading the market's trend yesterday were still in real estate and banking sectors. Of which, Vingroup JSC (VIC) posted the biggest loss, down 1.94 per cent, followed by JSC Bank for Investment and Development of Vietnam (BIDV, BID), Vietcombank (VCB), Vinhomes JSC (VHM) and Vietnam Rubber Group (GVR). These stocks fell in a range of 0.2 - 3.41 per cent.

Many other stocks also recorded big losses, including Vietinbank (CTG), Techcombank (TCB), No Va Land Investment Group Corporation (NVL), Masan Group (MSN) and PetroVietnam Gas JSC (GAS). All lost more than 1 per cent.

However, some stocks still witnessed gains, helping cap the market's losses. Vinamilk (VNM) rose the most yesterday, up 3.48 per cent. It was followed by Hoa Phat Group (HPG), up 2.58 per cent, and Saigon Beer - Alcohol - Beverage Corporation (SAB), up 1.98 per cent.

On the Ha Noi Stock Exchange, the HNX-Index were also weighed by losses in large-cap stocks. The index settled 1.75 per cent down to 311.32 points, while the HNX30-Index slid 2.17 per cent to 481.31 points.

During the trading session, nearly 149.2 million shares were traded on the northern bourse, worth over VND3.6 trillion (US$156.8 million).

Meanwhile, foreign investors were net buyers on the market with a total value of VND209.89 billion (US$9.1 million).

Of which, they net bought a value of VND250.25 billion (US$10.9 million) on HoSE and a value of VND22.62 billion (US$983,226) on UPCOM, while net they sold a value of VND62.98 billion (US$2.7 million) on HNX.

Macro & Policies

2. Ho Chi Minh City economy expected to recover with COVID-19 vaccine

Tran Hoang Ngan, director of the Ho Chi Minh City Institute for Development Studies (HIDS), drew up three scenarios for the city's economy in the meeting between Ho Chi minh City People's Committee, the city's leaders, experts, and businesses.

Under the first scenario, the COVID-19 outbreak will continue until August and several localities will have brought the pandemic under control, the GRDP of Ho Chi Minh City in the first nine months would rise 5.02 per cent and economic growth for the whole year would be 4.9 per cent.

In the second scenario, the pandemic will last until July while production in the city will see stable recovery, and enterprises will be able to secure part of their raw material demand. GRDP growth in the first nine months and economic growth for the whole year are expected to reach 5.26 and 5.53 per cent, respectively.

On the other hand, under the most positive scenario, the pandemic will be well-controlled and manufacturing will improve in the second quarter. Besides, the investment environment, public investment disbursement, as well as measures to support social security for employees have been improved. GRDP in the first nine months and economic growth for the whole year are expected to gain 5.74 and 6.37 per cent, respectively.

"Vaccination is important for the city economy to recover," Vo Thanh Phong, Chairman of Ho Chi Minh City People's Committee stated. He added that the Ministry of Health (MoH), Ho Chi Minh City has already set up a group for vaccination. In the coming days, the committee will meet suppliers and enterprises to seek out reasonable vaccine sources for the city.

Phong stated that Ho Chi Minh City plays an important role in delivering products between localities in the southeast region. He also praised the contribution of enterprises who are willing to aid the city in the vaccination. Up to now, with supplies from Russia, the United States, and the UK, Vietnam has gradually moved towards the goal of purchasing 150 million doses of COVID-19 vaccine in 2021 to immunise 75 per cent of Vietnam's population.

According to the MoH, Vietnam will have over 120 million doses of COVID-19 vaccine in 2021. As of June 6, Vietnam received five million doses of vaccines from Moderna, 20 million doses of Russian Sputnik V, 30 million doses of AstraZeneca vaccine, 31 million doses of Pfizer/BioNTech, and 38.9 million doses from the COVAX programme.

3. China remains key market for Vietnamese garments and textiles

This information was unveiled in a document unveiled at the recent annual general meeting of shareholders by the Vietnam National Textile and Garment Group (Vinatex).

Moving forward, China will not focus on producing apparel and textiles in line with its five-year strategy, thereby turning the northern neighbour into a major consumer of Vietnamese textiles and garments.

During the first quarter of the year, local garment and textile exports to China witnessed robust growth among the five major markets, achieving the same export turnover as that of EU in the process.

Furthermore, the US remains the largest Vietnamese export market with a growth rate of 5.9% in the first quarter. During the remainder of the year, the US market is expected to bounce back thanks to the implementation of a stimulus package of US$1.9 trillion coupled with the mass rollout COVID-19 vaccination scheme.

The country's garments and textiles to the EU and Japan will continue to face difficulties in the near future due to the EU facing the risk of a third wave of COVID-19, while the Japanese economy has not shown any signs of recovery, according to Vinatex.

McKinsey's projection anticipate that the global apparel and textile industry will rebound by the third quarter of next year, or perhaps later in the fourth quarter of 2023.

Currently, Vietnamese garment enterprises have sufficient orders until the end of the second quarter, although prices remain low.

Vinatex predicts that the garment and textile sector will recover one year ahead of scheduled compared to the global forecast.

The industry is striving to achieve a revenue of VND17,365 billion this year, up 17% compared to 2020.

4. Freight costs weigh down on disrupted businesses

Phan Van Viet, chairman of jeans and khaki producer Viet Thang Jean Co., Ltd. (VitaJean), said that the costs to ship goods in a shipping container have tripled during the global health crisis. The rate for a container from Vietnam to Europe has risen from $3,000 pre-pandemic to $10,000 last month, the highest on record. This has caused several obstacles for VitaJean's export activities to overseas markets.

Viet further noted that despite rising shipping-container rates, the company could not increase selling prices with the contracts already signed before. High ocean-freight rates discourage customers to place new orders while some make slower payments than usual. As the situation continues to deteriorate, it is likely to weigh on the firm's profit margin this year.

Meanwhile, Nguyen Dinh Tung, general director of fruit exporter Vina T&T Group, told VIR, "We have dealt with the challenges caused by rising ocean freight rates since July last year. This year, the company has to pay $6,000 per container to export its goods from Vietnam to the United States, which is three times higher than the rate of $1,800-2,000 last year. Headwinds in ocean freight result in several challenges including rising expenses and higher prices, which in turn lowers the competitiveness of made-in-Vietnam products."

Although international carriers raise the freight rates, there is still strong demand in the market. Many companies accept higher fees to export their products from Vietnam to the US and Europe. While this trend hurts exporters and importers, ocean carriers are enjoying growing profits.

"While companies are struggling with the difficulties from another major outbreak in Vietnam, the rise of seaborne-freight costs sees no sign of cooling down. Thus, I hope that the government can work with foreign ocean carriers to address this problem soon," Tung added.

According to the Vietnam Logistics Association (VLA), the spike in ocean freight rates comes from the fluctuating supply and demand in the market. US and European importers are ramping up the restocking of goods to serve the surging consumption demand. Meanwhile, the pandemic has disrupted the trade flow and affected the turnaround time of container vessels, which results in a shortage of empty containers. Thus, freight costs are projected to wind down when the demand for imports go down.

According to data from container liner Maersk, due to the pandemic there was a precipitous drop in the demand for container services in the second quarter of 2020. The demand plunged from 2.2 per cent in the preceding quarter to minus 8.3 per cent.

Starting from the second half of 2020, the restocking in the US and Europe has been raising demand whilst global measures to contain the pandemic have been causing severe strains across the supply chain, from a lack of vessels, containers, and trucks to significantly reduced productivity across ports, warehouses, and inland terminals.

And on top of these bottlenecks in the global supply chain, issues like the Suez Canal blockage and Yantian Port closure continue to put pressure on supply chains. A spokesperson from Maersk explained that the current market situation is exceptional. The current supply/demand picture has caused freight rates to spike, also driven by increased network costs from less efficient vessel operations, steep increases in charter rates, and box prices as well as alternative solutions to support customer supply chains.

“Equipment supply and the repositioning of empty containers remains a concern, but to further lessen the impact on our customers' supply chains, given the extraordinary market conditions triggered by the global pandemic, we are accelerating the injection of new dry containers into our fleet,” she added. “By the end of the second quarter, we will have added around 260,000 twenty-foot equivalent units (TEU). This comes after the 400,000 TEUs already added to our fleet from July 2020 to January. We also have deployed all available vessels in our fleet and chartered in all available capacity.”

The Drewry World Container Index released on May 27 showed the rate for a 40-foot container from Asia to the Europe shot above $10,000 for the first time on record. Industry insiders predict that the trend of high freight costs will continue to the third quarter of 2021, impacting exporters' business results.

5. Vietnam GDP growth in 2021 projected to exceed government’s expectation: World Bank

The World Bank has predicted Vietnam's GDP this year to expand by 6.6% in 2021, 0.1 percentage point higher than the government's target at 6.5%.

The figure was revealed in World Bank's latest report titled “Global Economic Prospects”, in which it forecast the global economy will expand by 5.6% in 2021, the fastest post-recession pace in 80 years with strong rebounds of a few major economies.

Despite the recovery, global output will be about 2% below pre-pandemic projections by the end of this year. Per capita income losses will not be unwound by 2022 for about two-thirds of emerging market and developing economies, added the World Bank.

In this context, Vietnam, among the most export-oriented and competitive regional economies, would be expected “to benefit most from higher growth in the US and other advanced economies,” noted the bank.

According to the World Bank, among major ASEAN countries, only Vietnam has seen output surpassing its pre-pandemic levels.

“Vietnam has been successful in containing Covid-19 and has benefited from fiscal measures supporting public investment and robust foreign direct investment (FDI) inflows,” stated the World Bank.

While the continued spread of the Covid-19 pandemic causes a subdued mobility around retail areas and subsequently lagging consumer spending, the country's industrial output has mostly recovered, helped by a quick rebound of regional goods exports.

Overall in the East Asia and Pacific region, Vietnam would be the second fastest growing economy in 2021, only behind China with a GDP growth of 8.5%.

Developing countries facing severe impacts from pandemic

While countries like the US and China are spearheading the global economic recovery, World Bank Group President David Malpass warned the pandemic continues to “inflict poverty and inequality on people in developing countries around the world”.

“Globally coordinated efforts are essential to accelerate vaccine distribution and debt relief, particularly for low-income countries. As the health crisis eases, policymakers will need to address the pandemic's lasting effects and take steps to spur green, resilient, and inclusive growth while safeguarding macroeconomic stability,” said Malpass.

Among major economies, US growth is projected to reach 6.8% this year, reflecting large-scale fiscal support and the easing of pandemic restrictions.

Growth in other advanced economies is also firming, but to a lesser extent.

Emerging markets and developing economies as a group are forecast to expand 6% this year, supported by higher demand and elevated commodity prices.

World Bank's report pointed out facilitating trade by lowering trade costs such as cumbersome logistics and border procedures could help bolster the recovery of emerging markets and developing economies.

Despite a decline over the past 15 years, trade costs remain almost one-half higher in these countries than in advanced economies, in large part due to higher shipping and logistics costs.

Efforts to streamline trade processes and clearance requirements and enable better transport infrastructure and governance encourage greater information sharing, and strengthen competition in domestic logistics, retail, and wholesale trade could yield considerable cost savings.

"Linkages through trade and global value chains have been a vital engine of economic advancement for developing economies and lifted many people out of poverty. However, at current trends, global trade growth is set to slow down over the next decade," World Bank Group Vice President for Equitable Growth and Financial Institutions Indermit Gill said.

"As developing economies recover from the Covid-19 pandemic, cutting trade costs can create an environment conducive to re-engaging in global supply chains and reigniting trade growth," Gill added.

6. Developing disease-free zones helpful in exporting animal products

Forming disease-free farming zones is believed to be critical in exporting livestock products given the fact that the number of such zones in Vietnam that meet the World Organisation for Animal Health (OIE) standards remains modest.

The country exported 2,150 tonnes of meat and related products worth 6.95 million USD in April, up 27.1 percent in volume and 3.7 percent in value compared to March, with Hong Kong (China), mainland China, and Thailand among the main destinations, data from the General Department of Vietnam Customs shows.

The Cong Thuong (Industry & Trade) newspaper cited Nguyen Van Long, Deputy Director of the Department of Animal Health at the Ministry of Agriculture and Rural Development, as saying that Vietnam must comply with international regulations to export animal products, including those set by the World Trade Organisation (WTO) and the OIE.

In particular, exports of animals and related products can only come from countries and territories that have farming establishments and zones free of disease and ensure biological safety.

As of May, Vietnam had 2,288 closed farming establishments and zones but these only satisfy Vietnamese standards, with none meeting OIE requirements, Long pointed out.

He added that as outbreaks of dangerous disease are spreading, many countries have set up strict requirements on imported fresh products. Meanwhile, Vietnam faces certain difficulties in organising safe animal farming, especially in terms of disease control, monitoring of farming zones, and grassroots safety chains.

In the recent past, authorities have stepped up negotiations on animal product exports with some countries, Long said, noting that to secure smooth exports the most important issue now is that such products hail from disease-free zones meeting OIE rules.

To do this, it is firstly necessary to exert sound control over disease outbreaks and minimise the risk from animal disease nationwide. A national programme for monitoring and certifying animal products should also be carried out to pave the way for exporting qualified products, he said.

There are 15 disease-free zones around the country at present, and coordination with localities is needed to help such zones under Vietnamese standards meet OIE requirements.

Long recommended that cities and provinces devise plans to form and maintain disease-free animal farming zones while paying attention to animal husbandry.

7. Local chemical manufacturers ready to help prevent COVID-19

Viet Nam recorded a total of over 6,000 local COVID-19 in the current fourth wave of infections since late April to date, while the death toll rose to 55, most of whom with serious underlying illnesses.

Bac Giang remains the biggest hot spot in the country in this wave with over 3,300 infections, followed by the outbreak in Bac Ninh with caseload surpassing 1,100.

To respond quickly in case the number of patients keeps surging, medical units, hospitals, airlines, and industrial parks have stored oxygen and other important chemical products.

Local chemical manufacturers have increased their inventories in order to ensure products are available to meet the market needs.

For example, oxygen inventories in the warehouse of Industrial Gas and Welding Electrode JSC (Sovigaz), a leading state-owned company in producing oxygen, industrial gas, rod electrodes and chemicals in Viet Nam, are 1.5 times higher than that of the same period last year, the company said.

With the current nationwide consumption of 3,000 – 4,000 tonnes of oxygen per month, the chemical manufacturer said that it could meet the whole country's demand without increasing the price as its production capacity is 7,000 tonnes per month, double the current demand.

The company's oxygen supply accounts for over 60 per cent of the total market share with nearly 100 big hospitals, such as Cho Ray Hospital and Tu Du Hospital in HCM City, or Vietnam-Czechoslovak Friendship Hospital in Hai Phong City, using its products.

One of the two production lines of Sovigaz can supply 180 tonnes of oxygen per day to the market. These production lines operate continuously throughout the year and only stop work for 7 - 10 days for maintenance.

“Sovigaz even had to refused to supply products to some enterprises collecting medical equipment to sell to the Indian market as it prioritises the domestic market,” Trinh Anh Phong, General Director of Sovigaz, said.

Disinfectants, especially Chloramine B, are also crucial to the fight against the spread of COVID-19.

South Basic Chemicals JSC, a leading inorganic chemical manufacturer in Viet Nam and a member of Viet Nam National Chemical Group, has committed to ensuring output to meet the rising demand for the chemical.

It is the first Vietnamese company to complete research and successfully produce Chloramine B, which has been licensed by the Ministry of Health for circulation.

Previously, Chloramine B was imported from the European Union and China. But inflated prices due to disruptions in supply chains around the world during the outbreak of COVID-19 pushed domestic companies to start producing the chemical.

Currently, South Basic Chemicals' Chloramine B price is around VND200,000 (US$8.7) per kilo, which is only 60 per cent of the cost of imported goods.

As most hospitals and schools in Viet Nam use Chloramine B to disinfect and clean surfaces, this is an opportunity for developing the product and promoting the use of Made-in-Viet Nam goods.

“At the moment, the company can produce one tonne of Chloramine B per day and we can raise production capacity, if necessary, to meet market demand,” South Basic Chemicals wrote in an email to Viet Nam News.

Despite the infections causing many difficulties for the company's production activities, it still finds solutions to overcome those challenges.

“Our employees have to divide into shifts to work online, while production and business activities must comply with the 5K rules which are ‘Khau trang' (face mask), ‘Khu khuan' (disinfection), ‘Khoang cach' (distance), ‘Khong tu tap' (no gathering), and ‘Khai bao y te' (health declaration),” the company said.

“At the same time, we diversify input materials' sources to reduce risk of disruption.”

Sovigaz, a member of Viet Nam National Chemical Group, also guarantees to supply enough chemical products, including Chloramine B, to meet demand of preventing COVID-19, as well as commit to maintaining the price.

If cases continue to rise, it will be necessary to mobilise all medical resources, especially equipment for prevention and disinfection, as well as oxygen tanks and ventilators.

Therefore, the success of domestic enterprises in producing disinfectant products to replace imported goods and the control of sources of oxygen are playing an important part in the fight against the COVID-19 pandemic.

However, Deputy Prime Minister Vu Duc Dam, head of the National Steering Committee for COVID-19 Prevention and Control, recently warned that Viet Nam should not let its guard down, saying that “we can't afford to be negligent even when we have fully controlled our domestic medical resources at the moment."

On the stock market, Sovigaz (SVG) and South Basic Chemicals (CSV) are listed on UPCOM and on the Ho Chi Minh Stock Exchange (HoSE), respectively.

While SVG shares closed yesterday at VND9,200 per share, up nearly 70.4 per cent compared to the beginning of 2021, CSV shares were traded at VND28,000 per share, down slightly 3.78 per cent.

Corporate News

8. VCI: Stock issuance to raise capital from the owner's equity

↑ 6.98%

On June 08, 2021, Viet Capital Securities Joint Stock Company announces the information on stock issuance to raise capital from the owner's equity as follows:

- Stock name: Viet Capital Securities Joint Stock Company
- Stock type: common share
- Number of shares issued: 166,500,000 shares
- Number of outstanding shares: 166,500,000 shares
- Number of treasury shares: 0 share
- Number of shares expected to be issued: 166.500.000 shares
- Total value of issue (based on par value): VND1,665,000,000,000
- Exercise ratio: 1:1 (shareholder who owns 01 share will receive 01 new share.)
- Plan to deal with fractional shares: due to the exercise ratio 1:1, so there are no fractional shares.
- Record date: June 21, 2021.

9. VIC: Establishing subsidiaries

↓ -1.94%

The Board resolution dated June 07, 2021, the BOD of VINGROUP Joint Stock Company approved the following issues:

1) The implementation of internal restructuring, Vin3S Joint Stock Company (is a subsidiary of Vingroup) carried out the procedures to separate businesses. Accordingly, Vin3S Joint Stock Company transfers a part of contributed capital of existing shareholders with corresponding assets, rights and obligations to establish new companies. Details are as follows:

- Company name: Serene Land Joint Stock Company
- Head office address: No.7 Bang Lang Street, Vinhomes Riverside, Viet Hung Ward, Long Bien District, Hanoi, Vietnam.
- Charter capital: VND64,790,000,000 (VIC owned 59.39% charter capital of Serene Land Joint Stock Company, corresponding to Vingroup's ownership rate in Vin3S Joint Stock Company).

2) The implementation of capital contribution to establish subsidiary:

- Company name: Vinbiocare Biotechnology Joint Stock Company
- Head office address: Techno Park Building, Vinhomes Ocean Park, Da Ton Commune, Gia Lam District, Hanoi, Vietnam.
- Charter capital: VND200,000,000,000 (VIC owned 69% charter capital of Vinbiocare Biotechnology Joint Stock Company).

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