



# VIETNAM DAILY NEWS



JAPAN SECURITIES INC.

June 14th, 2021

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## Market Analysis

### 1. Shares recover on strong buying force

Viet Nam's stock market settled higher on the last trading session of the week as stocks in all sectors recovered from recent losses.

The market benchmark VN-Index surged 28.16 points, or 2.13 per cent, to end the week at 1,351 points. The market's breadth was positive as 293 stocks increased while 104 edged lower.

However the liquidity was lower than the day before with over 565.7 million shares traded on the southern bourse, worth nearly VND17.9 trillion (US\$778.2 million).

The index rebounded on the back of strong buying force across every sector. The VN30-Index, tracking the 30 biggest stocks in market capitalisation on HoSE, climbed 36.43 points, or 2.51 per cent, to 1,487.61 points.

Of which, 26 stocks in the VN30 basket rose while only four declined.

Stocks posted good performance on Friday, led by banking, real estate and materials sectors.

Vietinbank (CTG) rose the most, hitting the biggest daily per cent gain of 7 per cent. It was followed by Techcombank (TCB), Hoa Phat Group (HPG), Vinhomes JSC (VHM) and JSC Bank for Investment and Development of Vietnam (BIDV, BID). Besides Vinhomes (up 1.83 per cent), the other stocks posted gains of more than 2 per cent.

PetroVietnam GAS JSC (GAS), Vietjet Aviation JSC (VJC), FPT Corporation (FPT), Mobile World Investment Corporation (MWG) and many other big stocks also witnessed good results on Friday, up more than 1 per cent.

The benchmark will continue to receive support

from the territory of 1,285 - 1,300 points in the near future, said Tran Xuan Bach, senior stock analyst of Bao Viet Securities Company.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also inched higher on Friday, boosted by gains in most stocks. The index climbed 1.72 per cent to 316.69 points with the HNX30-Index gaining 2.67 per cent to close the last trading session of the week at 494.16 points.

During the session, local investors poured nearly VND3 trillion (US\$125.7 million) into HNX, equivalent to a trading volume of nearly 127 million shares.

Meanwhile, foreign investors continued to net buy on the market with a value of VND618.86 billion (US\$27 million). Of which, they net bought a value of VND610.09 billion (US\$26.57 million) on HoSE and a value of VND8.77 billion (US\$381,955). VNS

Mr. Le Hai Tra, General Director of HoSE, has just signed document No 758/SGDHCM-TV to send to member securities companies about 2G error checking (technical error violating trading rules) and management order correction and cancellation.

According to the document, approved by the State Securities Committee, to ensure the safety of the trading system, HoSE noted the member securities company to check for 2G errors to avoid affecting the the entire general system of the HoSE.

In addition, securities companies need to manage order correction and cancellation transactions at the appointed times to avoid causing pressure on the system to process transactions, including from 9:15am to 9:25am; from 11:15am to 1:10pm and from 2:20pm to 2:30pm for daily transactions.

## Macro & Policies

### 2. Finance ministry to inspect HoSE over recurring trading system crashes

Amid recurring trading system crashes on the Ho Chi Minh City Stock Exchange (HoSE), Minister of Finance Ho Duc Phoc has requested the ministry's inspectorate to carry out an administrative investigation on the stock exchange.

“Depending on the actual pandemic situation, inspectors would hold meetings with the HoSE,” stated an announcement from the Ministry of Finance.

In the past six months, the frequent overload of orders forcing the stock exchange to halt market trading has been a major source of frustration among investors as such issues have been putting them at risk.

The average transaction value in each trading session on the HoSE is estimated at around VND25-30 trillion (US\$1.1 – 1.3 billion), a more than 10-fold increase against the pre-pandemic period in early 2020.

At the morning session on June 1, the strong capital inflows into the market pushed the liquidity to over VND21.7 trillion (US\$947.2 million), causing the stock authorities to halt the afternoon session to avoid a potential system crash.

Investors voiced their dissatisfaction as many securities companies did not allow them to modify or cancel transaction orders on HoSE from June 2 to mitigate risks of overload. One week later, such functions have been reopened but only for a certain time frame in the day.

Among short-term solutions, the HoSE has raised the minimum trading lot from 10 to 100 or encouraged public firms to switch to the Hanoi Stock Exchange (HNX).

The HoSE has also announced the imminent test of a new trading system provided by the Korea Exchange (KRX) from June 14-August 8 that is subject to operate this year.

In March, the Vietnam Association of Finance Investors (VAFI) has proposed the privatization of the stock market authorities, namely the Vietnam Stock Exchange and the Vietnam Securities Depository (VSD), saying the move would help enhance their corporate governance capabilities to the level comparable to regional peers.

The VAFI has argued the fact that investors could not place their orders in the stock market as a result of the current issue that has “directly impacted their lawful rights and jeopardized the credibility of the stock market.”

### 3. Textile-garment enterprises investing in materials to take advantage of FTAs

Despite COVID-19 cutting into demand for textiles and garments, enterprises have poured investment into materials to improve production capacity, completing the supply chain and taking advantage of new generation free trade agreements (FTAs) that have come into effect.

The Century Synthetic Fiber Corporation (CSF), one of the leading companies in the textile-garment industry, has recently approved a 120 million USD investment plan for the Unitex synthetic fibre factory project in Tay Ninh province. It has a total capacity of 60,000 tonnes and focuses on recycled yarn and high-quality fibre. CSF will become the second-largest fibre producer in the country once

the factory is operational, with a total capacity of 120,000 tonnes per year.

The Viet Tien Garment Corporation also plans to invest 300 billion VND (13 million USD) in several projects this year, including 100 billion VND (4.3 million USD) in the establishment of the Viet Thai Tech Co. Ltd, with a view to securing raw material resources.

Similarly, the Thanh Cong Textile Garment Investment Trading Joint Stock Company (TCM) has announced it will start construction of its Vinh Long 2 factory this year. With an investment capital

of 10 million USD, the factory can manufacture 9 million items a year.

According to TCM, investment in the production of raw materials became necessary to boost its overall capacity of 33 million items per year. With this new project, it is expected to increase revenue in the segment by 22 percent in 2022 and 27 percent in 2023.

Vietnam has become the third-largest textile exporter in the world, after China and India. Its textile-garments industry enjoys advantages from a number of FTAs that are a driving force for them to continue investing in expanding production. For example, with the EU-Vietnam Free Trade Agreement (EVFTA), exports that meet the rules of origin in fabric production are eligible for tax incentives.

The UK-Vietnam free trade agreement (UKVFTA) has similar regulations.

Rules of origin have been tightened in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), with requirements that all materials from fibre production to the final stage are produced in Vietnam.

With the EVFTA coming into effect from August 1 last year, tax rates on garments will be reduced from 12 percent to zero percent in accordance with

a seven-year roadmap. The agreement provides many more competitive advantages to Vietnamese products compared with those from countries such as Bangladesh, Cambodia, and Pakistan.

New investment projects, especially in the production of raw materials such as yarn and fabric, will resolve shortages of input materials in the industry.

As the production capacity of enterprises rises, they will benefit from having more resources increasing the percentage of origin as stipulated in FTAs.

According to the VNDirect Securities Joint Stock Company, raw material investment projects will partly resolve technical barriers in the EVFTA and CPTPP.

Along with benefits from tariff eliminations, the EVFTA will also help promote the formation of a closed production chain, increasing added value for the industry and gradually reducing dependence on the importation of raw materials.

“Vietnam has become an important link in the global textile and garment supply chain, so businesses will continue to pour capital into increasing production capacity and take advantage of market opportunities from FTAs,” Vu Duc Giang, President of the Vietnam Textile and Apparel Association (Vitas), was quoted by the *Dau tu* (Investment) newspaper as saying.

#### 4. Domestic retailers regain market share

The rise of local retailers via mergers and acquisitions is expected to balance Vietnam's retail market, which had been dominated by foreign investors.

In early July, Lotte Mart Dong Da, the largest shopping mall in Hanoi of the Korean retail group, will be officially closed. This will be the first step of the retailer to gradually narrow its business in Vietnam after 13 years of presence. Previously, Lotte Mart had announced a goal of opening 60 shopping centres across Vietnam by 2020, but so far, it has opened only 15 shopping centres. The figure will reduce to 14 next month when Lotte Mart Dong Da stops its operations.

Last month, E-mart, the largest retailer in the Republic of Korea, announced the selling of its retail store business in Vietnam to local firm Truong Hai Auto Corporation (THACO).

The move also marked the Korean retailer's withdrawal from Vietnam after more than five years.

Parkson, a luxury retail group in Malaysia, which has been present in Vietnam since 2005 and developed a chain of high-end shopping centres in major cities such as Ho Chi Minh City, Hanoi and Hai Phong, has closed several of its shopping centres since 2015.

In contrast, domestic brands have expanded their presence to dominate the modern distribution segment.

Recently, Masan, with its vision to develop its retail arm into a one-stop shop for both online and offline shoppers, received a 400- million-USD investment from a consortium led by Alibaba and Baring Private Equity Asia. As part of the deal, Masan will team up with Lazada, Alibaba's Southeast Asian e-commerce unit, to step up its online presence.

The recent merger of VinCommerce JSC of Vingroup (retail), VinEco (agriculture), and Masan Consumer Holdings (consumer goods), meanwhile, aims to create a leading company of retail and consumer goods in Vietnam. The new company owns a distribution network of over 2,500 VinMart and VinMart+ stores across the nation along with a system of 14 high-tech farms of VinEco.

In late May, Sherpa Company Limited, a subsidiary of the Masan Group Corporation, has acquired a 20-

percent stake in Phuc Long Heritage JSC, which owns one of the leading tea and coffee brands in Vietnam – Phuc Long, for 15 million USD.

This move is expected to help increase the strength of the Vietnamese brands, and meet the diverse needs of consumers.

Earlier, Saigon Union of Trading Co-operatives (Saigon Co.op) took over 18 stores and entire e-commerce retail system of France's Auchan Retail in Vietnam.

Vu Vinh Phu, former President of the Hanoi Association of Supermarkets, stressed that it's time to redraw the retail map of Vietnam with the occupation of domestic enterprises with big faces such as Masan and Saigon Co.op.

He suggested the retailers seek more measures to maintain their firm footholds in this industry.

## 5. Viet Nam's tra fish exports expected to continue recovering

According to VASEP, after having COVID-19 vaccines, the economic and trade activities of many countries have started to recover, so the countries have also increased imports of seafood from Viet Nam, especially tra fish products.

Viet Nam's total export value of pangasius in the first five months of 2021 reached US\$600 million, an increase of 10 per cent compared to the same period in 2020.

The large export markets of Vietnamese pangasius in this period were China, US, Brazil and Thailand. Of which, the tra fish export value reached about \$27 million to Brazil and \$26 million to Thailand, a year-on-year increase of 38.7 per cent and 8.5 per cent, respectively.

"The export growth to Thailand, the largest pangasius importer in ASEAN, is a good signal to increase the pangasius export value to this region in the next quarter," said Hoe.

In addition, the US market also increased imports of Vietnamese pangasius from the beginning of 2021, according to the association. In May, Viet Nam's tra

fish export value to the US increased by 120 per cent over the same period last year, reaching more than \$35 million. Since the end of 2020, the inventory of pangasius in the US has been limited. Meanwhile, the domestic catfish production has also declined. Therefore, the US has increased imports of frozen tra fish products from the beginning of this year.

The total value of pangasius exports to Hong Kong in the first five months reached \$146 million, accounting for nearly 24 per cent of Viet Nam's total pangasius export value. This market returned to the list of largest pangasius export markets for Vietnamese tra fish products, VASEP reported.

The pandemic has had a significant impact on the sales strategy of Vietnamese seafood enterprises. Besides reducing trade activities due to the social distancing policy in many countries, high transportation costs and the shortage of containers have also had great impacts on Viet Nam's seafood exports, it said.

This forces the local seafood processing and exporting enterprises to change their sales

strategies to keep customers and overcome difficulties during this period, according to VASEP.

Truong Tien Dung, general director of the Saigon Seafood Trading Joint Stock Company (APT), said the company's exports of pangasius and catfish products in the first five months of this year increased by 10 per cent over the same period in 2020.

To achieve this result, APT must actively discuss with customers to produce products according to demands of the export market, instead of offering products that the company produces. Therefore, it has enhanced production of new processed products from pangasius and catfish.

According to Ong Hang Van, deputy general director of the Truong Giang Seafood Joint Stock Company in Dong Thap Province, in the context of COVID-19, many seafood businesses have also changed their trading methods with partners.

Instead of signing CIF contracts that the local enterprises have delivered goods at the port in importing countries, the enterprises have signed FOB contracts, in which the enterprises deliver goods at ports in Viet Nam. With this method, the importers must take care of transporting Viet Nam's export goods to the importing countries.

The Ministry of Industry and Trade's Import-Export Department also forecasts that Viet Nam's seafood exports by year end will continue growing due to increasing demand in the US and EU markets.

After increasing 22 per cent to \$749 million in April 2021, Viet Nam's seafood export continued to surge by 24 per cent in May to \$790 million. This export value in the first five months of this year rose by 14 per cent to reach \$3.27 billion.

Although the economic recovery in the EU market is slower than that of the US, consumption demand is recovering because the pandemic is being controlled gradually. European importers tend to be more interested in Vietnamese seafood suppliers due to tariff advantages from the EVFTA and stable raw materials, according to VASEP.

Viet Nam's seafood export value to the EU in May increased by 30 per cent to \$95 million. The export value in the first five months reached \$380 million, up 15 per cent over the same period last year.

For the US market, the implementation of the COVID-19 vaccination campaign along with economic stimulus package of the US Government have encouraged quick recovery of seafood consumption demand in this market. The higher seafood demand is not only in retail but also services, restaurants, hotels and entertainment after a period of social distancing due to the pandemic. The market has higher demand for shrimp, tuna, salmon, pangasius, squid, octopus, crabs and molluscs such as clams and mussels.

In addition, Viet Nam's seafood exports to countries with free trade agreements also increased sharply in the first five months, including to Australia (65 per cent), Canada (12 per cent), and to the UK (17 per cent). These markets are expected to play a significant role in promoting Viet Nam's seafood export growth in 2021 and beyond.

## **6. Conference links Vietnamese, Japanese firms in supporting industries**

Twenty-one Vietnamese enterprises in supporting industries and 48 Japanese businesses took part in an online conference on June 10, where they exchanged information and sought partners.

Vu Ba Phu, Director of the Vietnam Trade Promotion Agency (Vietrade) at the Ministry of Industry and Trade, briefed the conference on Vietnam's foreign trade activities, with export revenue in the first five months of this year estimated at 130.94 billion USD, up 30.7 percent year-on-year.

The export value of phones and spare parts increased 19.6 percent; computers, electronics and components 26 percent; and machinery, equipment, tools, and spare parts 74.8 percent, he continued.

Vietnamese enterprises in supporting industries are growing in terms of both number and quality, and integrating intensively into global production chains, Phu said.

They account for nearly 4.5 percent of enterprises operating in the processing and manufacturing sector, generate jobs for more than 600,000 workers, or nearly 8 percent of the workforce in the processing and manufacturing sector, and contribute 11 percent of total revenue in the sector.

In his remarks, Masataka Fujita, Secretary General of the ASEAN-Japan Centre (AJC), pledged that it will make greater efforts in promoting trade between Vietnam and Japan in the future.

Akutsu Michio, an expert from the Association of International Business Advisors, meanwhile, pointed out the challenges to Vietnamese

supporting enterprises such as low productivity and a shortage of trained workers.

He suggested enterprises improve their production capacity and product quality and take measures to attract high-quality workers, saying that apart from providing products for Japanese enterprises in Vietnam, domestic businesses should also seek partners abroad.

To facilitate the supporting industries, the Vietnamese Ministry of Industry and Trade launched a database in June 2020 that provides information on more than 3,600 domestic firms operating in mechanics, auto, electronics, and garment-textiles.

## 7. Offshore wind likely contribute 12% to Vietnam’s power by 2035: World Bank

Offshore wind is projected to supply between 5% and 12% of Vietnam's electricity needs by 2035 in two possible growth scenarios built by the World Bank (WB).

It's equivalent to 11 GW and 25 GW by 2035 in the low and high growth scenarios, respectively, the WB said in a recent report titled “Offshore Wind Roadmap for Vietnam.”

Both the low and high growth scenarios require similar enabling actions but the latter requires earlier action, WB said, adding that the headline impacts of these two growth scenarios include key metrics of electricity generation, cost, economic, and emissions.

The high growth, by replacing coal-fired generation, could help to avoid over 200 million metric tons of CO2 emissions and add at least US\$50 billion to Vietnam's economy by stimulating the growth of a strong supply chain, creating thousands of skilled jobs, and exporting to other offshore wind markets globally.

In addition, both the scenarios could deliver substantial benefits to Vietnam, however, results indicate that the high one could bring much larger economic benefits for a lower overall cost.

Notably, the vision to 2050 is set to mark the volume of 35 GW and 70 GW for the low and high

growth scenarios, respectively, generating up to 30% of the country's electricity by the year.

### Meaning of the roadmap

The roadmap suggests that the existing regulations, legislation, processes, and infrastructure need to be improved or developed to deliver the vision that is eventually set by the Government of Vietnam.

This roadmap provides a series of recommended next steps to help create the conditions for establishing and growing the industry.

Accordingly, it begins with setting a vision in the Power Development Plan VIII (PDP8). Specifically, the roadmap starts in 2021 by setting the 2030-2035 targets and vision to 2050. In 2021-2022, it creates the processes with marine spatial plan, leasing, permitting, power purchase, and supply chain development. Between 2022 and 2035, it focuses on developing infrastructure namely transmission networks, ports, and supply chains.

Among the steps and issues for the long-run development, the roadmap stressed the importance of maintaining Vietnam Electricity (EVN) as a power purchase agreement (PPA) counterparty and enable bankable PPA terms; Revising the terms and conditions of the existing feed-in tariff (FIT), including the incorporation of environmental and social requirements, and make it bankable for

offshore wind; Encouraging financial mechanisms to reduce the cost of capital.

And establishing development zones through marine spatial planning, taking into account environmental and social constraints becomes especially important.

### **Types of offshore wind in Vietnam**

Vietnam has a globally relevant offshore wind resource located close to their shores and population centers and in relatively shallow water.

The two main types include conventional fixed offshore and floating. The first kind covers projects typically in water depths of between 10 and 50 meters, using fixed foundations, installation methods, and very large turbines similar to those used in many projects in Europe and elsewhere in Asia.

The WB anticipates that this will make up the bulk of the offshore wind market in Vietnam.

The second type includes projects in deeper water, typically more than 50 meters, using floating foundations. Commercial-scale projects are likely only to be installed toward the end of the 2020s, but potentially make up half of the newly installed capacity by 2050.

In addition, they classify another kind which is nearshore projects which are defined as those sited within 5.5 km of the shore, where access may be

directly from the land. Foundations typically are concrete-capped piles or monopiles, and turbines used are onshore models, with minor changes to make them suited for use in the marine environment.

### **Recommendations for successful industry**

The authors of the report, based on experience in a range of countries, summarizes key ingredients for a successful offshore wind industry, including (1) stable policies and pipeline visibility; (2) a coherent industrial strategy; (3) resourced institutions; (4) competitive environment; (5) supportive and engaged public; (6) a commitment to safety; and (7) using the best locations.

Vietnam has already been an early adopter of offshore wind through its nearshore projects in the south. At the end of 2019, Vietnam had the ninth highest installed capacity of offshore wind, with 99 MW operating, which was more than Japan, Korea, and the US.

Developing an offshore wind project is long-term infrastructure investment. Developing a national program of many projects needs to be considered within the context of strategic energy plans over decades.

Vietnam can accelerate offshore wind projects rapidly over the next few years. The success of this acceleration will depend on the clarity of the government's long-term ambition and the actions that the government takes to facilitate growth, said the report.



## Corporate News

### 8. TCB: Techcombank locks foreign ownership ratio at 22.5 per cent

↑4.99%

On June 7, Techcombank notified the Vietnam Securities Depository (VSD) and HSX to lock the maximum foreign ownership limit at 22.4908 per cent. This is also the current foreign ownership ratio of the bank.

The Techcombank Board of Directors has issued a resolution on the issuance of shares to employees under the Employee Stock Ownership Plan (ESOP). Specifically, the lender plans to issue more than six million ESOP shares, 705.367 shares of which are issued to foreign employees and more than 5.3 million shares issued to Vietnamese employees. The ratio of issued shares to total outstanding shares is 0.1714 per cent.

The par value of shares reached VND10,000 (43 US cents). ESOP shares are restricted from being transferred within one year. The plan is expected to be executed in 2021 right after Techcombank receives approval from the State Bank of Vietnam (SBV) and the State Securities Commission.

Criteria and subjects to buy ESOP shares are employees who meet the criteria and conditions of working at Techcombank as well as Techcombank's subsidiaries and affiliates. In November 2020, Techcombank also issued 4.7 million ESOP shares.

### 9. DXG: Dat Xanh Group ready for breakthrough in 2020-2030 with issuance of 200 million shares

↑ 6.99%

According to the plan, Dat Xanh Group will issue 200 million shares (equivalent to 38.59 per cent of the current shares) reserved for domestic and foreign investors. The funds mobilised will be used to develop large-scale projects from hundreds of hectares.

With the issuance of additional shares, Dat Xanh Group will strengthen its investment and financial capacity for two key projects in 2021 and other new projects to achieve a vital breakthrough in revenue and profitability, helping the group realise its development strategy for 2021-2030.

This decade was named as a period for accelerated growth for the group that would set it up to transform itself into a large-scale mixed-use urban developer. Accordingly, one of the top goals is to increase the group's capitalisation to \$10 billion by 2030. To implement this strategy, the group is giving top priority to expanding its land funds to construct large-scale urban projects in 2021. Specifically, the group is negotiating the acquisition of two high-potential land plots for

urban development with a total area of about 1,050ha. The total investment value of these two projects is more than VND20 trillion (\$869.57 million).

In terms of financial capacity, Dat Xanh Group needs to raise more capital to increase its cashflow to more than VND10 trillion (\$434.8 million) to meet its financial needs to invest in the two above-mentioned projects and others in its portfolio. The representative of Dat Xanh Group shared that once the issuance plan is approved by the general meeting of shareholders, the group will step up negotiations with domestic and international partners, ensuring the highest benefits for the group and its stakeholders.

According to the plan submitted to the general meeting of shareholders in 2021, Dat Xanh Group will issue seven million shares under the Employee Stock Ownership Plan (ESOP). The ESOP is one of the essential goals to attract and keep employees with the group for a long time, to implement the group's ambitious 10-year strategy. ESOP shares issued this time will be untradeable for five years to ensure the commitment of the group's employees.



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