VIETNAM DAILY NEWS

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Market Analysis

1. Shares rally on back of some pillar stocks

The stock market settled higher on Tuesday on gains in large-cap stocks. Meanwhile, foreign investors still escaped from the market. On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index inched 0.53 per cent higher to 1,379.97 points. However, the market's breadth was negative in the afternoon session as 204 stocks declined, while 189 stocks climbed. Fifty stocks ended flat. The liquidity was still high with nearly 747 million shares traded on HoSE, worth more than VND22.39 trillion (US$973.1 million).

The market's rally was driven mainly by pillar stocks in banking, real estate and utilities sectors. The VN30-Index, which tracks 30 biggest stocks in market capitalisation on the southern exchange, increased by 0.74 per cent to 1,489.24 points. Of the VN30 basket, 17 stocks rose, while 10 stocks plunged and three were unchanged. In the top five stocks dominating the market's trend, No Va Land Investment Group Corporation (Novaland, NVL) was still leading the gain, up 4.13p.

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Other big gainers were Vietinbank (CTG), MBBank (MBB) and PetroVietnam GAS JSC (PVGAS, GAS). These stocks all posted increases of more than 2 per cent yesterday.

The rally was capped by losses of some large-cap stocks like Saigon Beer - Alcohol - Beverage Corporation (Sabeco, SAB) down 1.71 per cent, and Vinhomes JSC (VHM) down 0.45 per cent.

Tran Xuan Bach, senior stock analyst from Bao Viet Securities Company, said the index is likely to fluctuate between a range of the support level of 1,240 - 1,355 points and the resistance level of 1,385 - 1,405 points in the short term.

"News of the second quarter's business results will also drive the market's trend in the near future," Bach said, adding that the market continues to witness strong division between stock lines at the moment. And cash flows will shift alternatively among small/medium-cap stocks or large-cap stocks that haven't gained much in previous rallies.

He recommended investors maintain the stock proportion in their portfolios at 55 - 65 per cent.

On the Ha Noi Stock Exchange (HNX), the HNX-Index ended higher, while large-cap stocks on the market lost points.

Accordingly, the HNX-Index climbed 0.27 per cent to 317.09 points, but the HNX30-Index fell 0.03 per cent.

During the session, nearly 163.5 million shares were traded on the northern bourse, worth over VND3.67 trillion.

On the contrary, foreign investors kept fleeing from the market with a net sell value of VND495.44 billion. Of which, they net sold a value of VND604.19 billion on HNX, while net bought a value of VND98.99 billion on HoSE and VND9.76 billion on UPCOM.

Macro & Policies

2. HCMC to have five new seaports

The five ports include a transshipment inland container depot (ICD) cluster in Thu Duc City's Long Binh Ward, a dry port in the outlying district of Cu Chi, an inland waterway port in the Saigon Hi-tech Park, an international inland waterway port and the Den Do Cape passenger port in District 7, reported Nguoi Lao Dong newspaper.

According to the city's plan, the transshipment ICD cluster in Long Binh will cover an area of 50 hectares and serve the relocation of the Truong Tho port. It will mainly receive cargo from the neighboring provinces of Dong Nai and Binh Duong, following which the goods will be transported via inland waterways to the Cat Lai, Hiep Phuoc and Cai Mep port areas.

The dry port in Cu Chi will cover an area of at least 10 hectares, while the one in the Saigon Hi-tech Park will stretch some six hectares.

Bui Hoa An, deputy director of the HCMC Transport Department, said that HCMC has an advantage of nearly 1,000 kilometers of waterway. The southern hub has developed multiple waterway transport routes, renovated ports and waterway stations, but it has yet to tap the full potential of the waterway due to the shortfall of resources.

The construction and operations of the five new ports and the upgrade of the existing ones during the 2021-2025 period will contribute to fulfilling the potential of the city's 1,000 kilometers of waterway and be able to share 60% of the cargo load of road transport.

The deputy director revealed that the municipal government had assigned the relevant agencies to work on capital issues in order to launch these projects.

An added that the five new ports will also help ease the overload facing the Cat Lai port's infrastructure as well as reduce shipping costs for businesses.

Further, after expanding the existing ports, the Transport Department will focus on building more inland waterway routes with total investment set to reach nearly VND6 trillion, aimed at reducing pressure on the Cat Lai port and supporting road transport, An said.

3. Steel exports to China double

China was the largest steel export market during the period, accounting for 22.5 percent of total steel exports.

Other big export markets included E.U., Mexico and Cambodia. Steel exports to E.U. during the period increased five-fold to 713,000 tons, and to Mexico, 2.5 times to 293,000 tons. Meanwhile, exports to Cambodia fell 1.5 percent to 584 million tons.

The nation exported a total of 4.88 million tons of steel between January and May, up 61.6 percent year-on-year. Export value rose 117 percent to $3.61 billion.

Steel prices in Vietnam have experienced a 40-50 percent surge since the beginning of the year, the Ministry of Industry and Trade reported. This has hit construction contractors hard, forcing them to turn down contracts as steel costs account for 10-30 percent of a construction project.

Deputy Prime Minister Le Minh Khai has asked the Ministry of Industry and Trade to push for increased domestic steel production towards stabilizing prices.

He also said the export of steel should be lowered to ensure that local demand is met.

4. Hanoi allows reopening of indoor eating and drinking venues, hair salons

With the COVID-19 situation under control in Hanoi, municipal authorities have approved the reopening of indoor dining and drinking venues along with hair salons, effective from 0:00 on June 22.

In a document signed by Vice Chairman of the Hanoi People's Committee Chu Xuan Dung and issued late June 21, hair salons, and indoor dining and drinking venues were allowed to resume operations, nearly a month after receiving closure orders.

Capacity is capped at 50 percent, no more than 20 customers can be in a venue at any time and venues are asked to set up barriers between tables and ensure a safe distance between customers. They must also close by 9pm.

The owners of all venues must require customers to submit electronic health declarations during their time on the premises.

Wine bars, pubs, and bia hoi venues are only allowed to sell orders for delivery.

Inspections by local authorities will be conducted regularly to enforce the rules.

The city ordered the closure of massage venues, cinemas, spas, gyms on May 5, bars and bia hoi outlets on May 11, and forbade all restaurants and hair salons from providing indoor services from May 25.

In addition to the lifting of closure orders, the city's authorities noted many localities in the country are still suffering complicated COVID-19 outbreaks and people travelling from these areas constitute a high risk of virus transmission in the community.

The traffic police along with local authorities must step up patrols and inspections at gateways into the city to monitor the flow of people into the city, especially arrivals from Ho Chi Minh City and Da Nang city, as well as Binh Duong, Nghe An and Ha Tinh provinces.

Noi Bai International Airport was asked to review the list of all passengers who arrive from HCM City and stay in Hanoi so proper pandemic measures can be rolled out when necessary.

The health department was tasked with ensuring prevention of COVID-19 in medical establishments, as well as carrying out frequent COVID-19 screening in high-risk areas.

5. Coffee chains still grow amid pandemic

Despite the impacts of the COVID-19 pandemic, competition between coffee chains in Vietnam has become increasingly fierce with more giants trying to grab a slice of the lucrative market.

Masan, owned by billionaire Nguyen Dang Quang, Novaland of Bui Thanh Nhon and Tran Kim Thanh's Kido have all heated up the billion-dollar market by entering recently.

In May, The Sherpa, a company owned by Masan, purchased 20 percent of Phuc Long Joint Stock Company, which owns the Phuc Long brand, one of the country's most famous tea and coffee chains. As the firm spent US$15 million on the deal, the Phuc Long chain was valued at 75 million USD, a number that surprised many people, according to some insiders,

Set up in Bao Loc city, Lam Dong province in 1968, Phuc Long expanded into the retail beverage business in 2012 from its three traditional stores in Ho Chi Minh City in the 1980s. Currently, the firm has 60 stores in HCM city and seven in other localities.

After the deal, VinCommerce, another Masan member company, will set up a kiosk serving Phuc Long's products at its chain VinMart , which has more than 2,200 stores across the country.

Earlier, realty firm Novaland Group launched a new ecosystem of Nova Consumer to develop the food, beverage and nutrition segment with a closed food production chain from farm to fork. The group has invested more than 200 million USD to bring together many famous consumer brands in its ecosystem, including PhinDeli coffee.

Last year, Vietnamese people spent about 53 trillion VND (2.28 billion USD) on tea and coffee, a growth rate of about 10 percent annually, an extremely attractive number for chains.

Local brand The Coffee House opened 24 stores in the first quarter of this year and plans to open at least another 50 this year to increase its total nationwide to nearly 230 at year-end and 1,000 by 2025.

Dinh Anh Huan, chairman of The Coffee House, told Viet Nam News: "Creating delicious coffee products to serve the local Vietnamese is key to developing the business."

Huan said maintaining customer relationships was extremely important for the firm so it focused on developing the customer experience. With savvy, young customers, the firm has built and worked with delivery apps to offer convenient services.

He added during the fourth outbreak of COVID-19, though it had to limit and then stop serving customers in-store, online platforms had enjoyed a lot of use.

Besides its 'Legend' brand, Trung Nguyen Coffee is trying to expand its E-Coffee franchise chain, a small coffee stall targeted at takeaway customers, and plans to open 16 more stores nationwide.

Most recently, confectionery firm Kido said it was also about to enter the coffee market. Though Kido did not reveal which coffee segment it would join, the firm announced it would start offering coffee products this year.

Foreign firms have also shown interest in the local market.

Previously the largest local brand with about 340 coffee shops across the country alongside the most revenue and profit, Highlands Coffee is now owned by Jollibee Group, a Filipino giant in the chain restaurant business.

Other foreign names in the local market include Starbucks, The Coffee Bean and Tea Leaf and Thailand's Café Amazon.

With a plan to expand its stores in Vietnam, Café Amazon told local media that Vietnam was one of 10 markets outside Thailand where the parent company was expected to spend up to 2.5 billion USD to expand in the next five years.

Among the chains, Highlands Coffee led the market in term of sales with 2 trillion VND in 2019, followed by The Coffee House with 863 billion VND, then Starbucks with 783 billion VND, Phuc Long with 779 billion VND and Trung Nguyen with 409 billion VND.

Due to the growing middle class in Vietnam, Euromonitor Worldwide valued the local coffee and tea retail market at more than 1 billion USD. The Vietnam Coffee and Cocoa Association reported the rapid increase in the number of coffee chains has boosted their consumption to more than 10 percent of the country's coffee output.

As the per capita coffee consumption in Vietnam is only a third of the global average, the association sees the market as very attractive for both domestic and foreign businesses.

6. Proptech set for strong growth in Vietnam

As technology develops and demand keeps increasing in the property sector, proptech will develop in a similar way to fintech, experts have said.

Proptech, or property technology, has developed strongly in Vietnam with many start-ups being launched and attracting investment from major players and many services being developed to meet market demand.

An expert from Savill Vietnam said there are certain reasons for the market's rise: the country's huge population, the problems it faces, which could be resolved by proptech, and Vietnamese people's ability to use technology.

Hoang Duc Trung, a partner at VinaCapital Ventures, told Viet Nam News: "We believe proptech will develop in a similar way to fintech, that is, mostly based on how technology stacks are developed and evolve to resolve structural pain points and inefficiencies and positioned at the intersection of all market stakeholders.

“We think that the trendsetters and growth drivers will continue to be those companies that create and offer disruptive solutions that optimise and aggregate resources and financing, improve industry standards and customer experiences and ensure transparency and data security.”

He attributed the growth of the market to the strong economy, accelerating urbanisation and rising incomes which continue to drive demand in the property market.

“This growth is also fuelling digital transformation and the development of disruptive technology infrastructure, which is commonly known as ‘proptech'.”

According to Trung, proptech has gained ground in Vietnam in recent years, mostly thanks to the country's young and tech-savvy population.

“Hundreds of proptech start-ups and traditional real state firms are aiming to leverage technology to improve their operations and competitive edge by providing effective solutions to enhance home buying, selling, renting, and living experiences.”

Some of the famous apps and proptech products in the market include Saas, Propzy, Go2Joy Vietnam, Citics, Homebase, and A.Plus Home.

They have successfully raised capital from foreign investors.

For instance, Propzy, a leader in the proptech industry and provides transparent online property services, raised 37 million USD.

Speaking about the reasons for investing in proptech, Doan Le Minh Tri, senior investment manager at VinaCapital Ventures, said: “We have been monitoring the development of the proptech sector and see its enormous potential, given the continuing growth of the real estate market and increasing digitisation trends.”

VinaCapital's first investment in the sector was in Rever, which has built infrastructure to make the transaction process smoother. Its solution has outpaced the industry's benchmarks related to data accuracy, the number of days a property is on the market and agent efficiency ratio.

More recently, VinaCapital Ventures invested in Homebase, which offers a rent-to-own financing option for millennials and the under-banked population to realise their home ownership goals.

Both companies are addressing long-standing pain points in Vietnam's real estate market.

“We invested in these companies because they possess operational know-how blended with superior technology stacks that aim to serve homebuyers throughout the transaction journey, from screening and touring properties, conducting legal checks, arranging financing, and related paperwork that comes with owning a home.

“These services are provided affordably and transparently, enabling these companies to provide a higher level of customer service. We have a strong belief that Rever and Homebase are well-positioned to become leaders in their respective segments,” he told Viet Nam News.

The investment in the market has shown how promising it is.

Speaking about the efficiency of proptech, John Le, CEO and founder of Propzy Vietnam said: “Our sales guys are now on average bringing much more with much less, so our technology SAM has been a major influence because it has ensured certain business processes that otherwise cannot be done in any normal world because you cannot get 300 salespeople to collaborate.

“But this technology allows the sales team to be connected, engage with one another and collaborate to get the best outcome possible which is a real estate transaction from buyer to seller, an asset we have been able to enable our sales guys to perform at absolute best.

“We've seen glimpses of success in other developed markets where property buyers are able to make purchase decisions without physically visiting the properties; however in Vietnam, there's still a long way to go.

“Having said that, there is a silver lining in the cloud and that's the high-rise or condo market. As that segment of the property market grows relative to the overall market we can anticipate adoption of virtual touring and purchasing potentially happening sooner rather than later".

7. Policy support needed to boost business growth: insiders

Without a more effective business support package, the country's goal of 6.5 percent in gross domestic product (GDP) growth for this year will be hard to be achieved as the GDP growth in the first six months of 2021 is forecast to reach only 5.8 percent, according to experts.

Nguyen Xuan Phu, Chairman of Sunhouse Group, said that like many other large-scale firms, Sunhouse hopes to receive support in policy rather than financial assistance.

The country currently has about 500 large-scale enterprises that contribute 60-70 percent to the State budget, making it impossible to provide a common support package for all of them, noted Phu, stressing that support in policy will be much more effective.

Businesses need a smoother mechanism and simplier administrative procedures so that they can focus on production, as COVID-19 has created development opportunities for many firms, said Phu.

Meanwhile, Than Duc Viet, General Director of May 10, another big-sized enterprise, said that the current support package has yet to be able to help businesses overcome difficulties although many areas are eying opportunities to rise due to recovering demand in the world market.

Viet said that in 2020, May 10 and other firms in the garment-textile sector faced difficulties in both input and sale, in 2021, the situation has changed completely with abundant orders.

About 90 percent of the company's products are exported to the US, the EU and Japan with orders enough for production until the end of this year, but without favourable mechanisms and policies to help businesses to attract labourers and protect them against COVID-19, the firms can hardly complete their orders.

Although the number of COVID-19 cases has exceeded 12,500, Vietnam has still been considered one of the most successful countries in the world in pandemic control.

Nguyen Duc Kien, head of the Prime Minister's economic advisory team, said that Vietnamese firms are eying great opportunities to win the world market when other large suppliers such as India, Bangladesh and Myanmar are struggling with the pandemic.

The current fiscal, monetary and social security support has been no longer suitable to large-scale firms, he held, adding that it is necessary to design another support package – support in policy.

Kien added that the current time is also a great chance for Vietnam to increase foreign direct investment (FDI) attraction. Along with the effective control of the pandemic, it is crucial to design new and stronger support policies to promote economic growth and complete the target of at least 6.5 percent GDP growth this year and following years, stressed Kien.

Deputy Minister of Planning and Investment Tran Quoc Phuong said that the pandemic has changed the mindset of many big and strategic investors on the formation of a production hub to diversify supply chains and distributing the supply chains in the globe, including in Vietnam.

According to Phuong, the support package for FDI companies cannot be the same as those for small and medium-sized enterprises, but it is necessary to give breakthrough policies and mechanisms.

"We should not organise traditional roadshows or trade promotion events in other countries. So how we can persuade investors to pour a large amount of capital into Vietnam without having to visit the country? To do so, we must give another support package with assistance in policy and mechanism," stated Phuong.

Corporate News

8. HBC: Construction giant Hoa Binh says 2020 most difficult year ever

↑ 1.27%

The pandemic has hindered progress of all its projects because the group was unable to mobilize the needed construction workforce, Le Viet Hai said Monday at the annual shareholders meeting.

The risk of coronavirus transmission prompted many projects to suspend construction, and the surging construction material prices also added to its struggle, he said.

Its stock price even slipped 42 percent from the beginning of the year to just VND6,000 ($0.26) per share late March, showing that investors didn't have confidence in the group's ability to overcome the crises caused by the pandemic, Hai said.

Its revenue last year dropped 40 percent to VND11.2 trillion, and post-tax profit was down 83 percent to VND70 billion.

In order to overcome its difficulties, the group has restructured its financial and human resources, as also changed its business model. It has also stocked construction materials to mitigate possible losses resulting from rising material prices

It plans to divest from several real estate projects to earn VND500-800 billion this year. Its four major real estate projects in HCMC, which are under construction, are expected to bring over VND1 trillion in revenue.

It also plans to divest from its subsidiary, brokerage Golden Lotus Securities Corporation, to earn VND30 billion. Its furniture manufacturing firm Interhouse LA Corporation will acquire wood furniture maker Moc Hoa Binh Manufacturing and Decorating Company. Both firms are Hoa Binh Construction Group's subsidiaries.

It has set a target of VND13.5 trillion in revenue this year, up 20 percent year-on-year. Post-tax profit for 2021 is targeted at VND235 billion, 2.8 times higher than 2020.

It plans to issue corporate bonds, convertible bonds and shares to raise VND2 trillion to fund its business, but the issue date has not been decided.

9. HVN: SBV to disburse VND4 trillion worth of refinancing loans for VNA

↓ -0.54%

In response to reporters' inquiries about the central bank's supporting policies for VNA, Nguyen Tuan Anh, head of the Department of Credit Policies for Economic Sectors at SBV, said that there were three credit institutions, SeaBank, MSB and SHB, that had pledged to offer VND4 trillion worth of refinancing loans backed by the central bank to the carrier.

These credit institutions and the carrier are facilitating essential procedures to sign their loan agreements, Anh added, reported Nguoi Lao Dong newspaper.

Earlier, VNA had suggested the Government grant it a Covid-19 relief package of VND12 trillion, including VND4 trillion of refinancing loans and VND8 trillion by issuing shares to its existing shareholders to raise charter capital, aimed at removing obstacles caused by the pandemic.

Besides this, for the medium and long term, it proposed the Government underwrite the carrier's scheme to issue bonds worth VND10 trillion with a 10-year term, in order to implement a project to invest in its fleet in the 2021-2025 period.

In late November last year, the National Assembly gave the green light to the carrier's proposal by allowing the central bank to refinance and offer loan extensions to credit institutions that would lend the carrier additional capital to maintain its operations.

In late March this year, the prime minister signed a decision allowing SBV to provide refinancing loans worth VND4 trillion to credit institutions that are lenders of the national flag carrier. Interest rates for refinancing loans are set at 0% per year, which is also applicable for any extension for such loans.

A recent report of the Ministry of Planning and Investment revealed that VNA could incur losses of VND4.8 trillion in the first quarter of this year and the figure of the first half could reach VND10 trillion.

Vietnam Airlines was recently granted license to operate flights to Canada. Vietnam Airlines is the first carrier in Vietnam to receive Canadian authorities' permit to run flights to the country. The certificate took effect on June 11 with unlimited time and number of flights. Accordingly, the carrier could operate flights carrying passengers and cargo between Vietnam and all airports in Canada. The earliest flight is scheduled to take off on June 30.

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