VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index heading toward resistance level of 1,400 points this week: experts

After struggling to find direction, the market hit a new record on the back of bank stocks in the last trading session. Analysts from securities firms said that this will be the driving force for the VN-Index to head toward 1,400 points.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark VN-Index witnessed a choppy week of trading with up and down sessions. However, the index finished the week at a new peak of 1,390.12 points.

The HNX-Index on the Ha Noi Stock Exchange (HNX) also closed higher in the last session at 318.22 points.

For the week, both benchmarks increased with the VN-Index up 1.27 per cent, while the HNX-Index gained 0.63 per cent.

According to MB Securities Joint Stock Company (MBS), the positive signal in the last trading session of last week triggered a large cash inflow into the market, helping the gaining momentum to get stronger and the VN-Index close at a session high.

MBS believes that the market has entered a new rally wave with the return of the leading stocks including banks and securities stocks.

Technically, the new peak of the VN-Index with strong cash flow is a sign confirming the market's continuing uptrend. With the current rallies, the resistance level of 1,400 points can be conquered, MBS said.

Viet Dragon Securities Corporation (VDSC) also expects that the market benchmark will continue to increase in the near future, but the rally will be slow and cautious due to potential profit-taking pressure in the range of 1,400 - 1,420 points.

Similarly, analysts from SSI Securities Joint Stock Company (SSI) said that with the current situation, the VN-Index has the motivation to keep moving towards the target price level of 1,400 points. However, to break over this level convincingly, it needs to be strengthened from the increase in trading volume, SSI added.

Meanwhile, Saigon-Hanoi Securities JSC (SHS) said that even though the market rallied for the second consecutive week, but the gain slowed down compared to the week before. At the same time, the liquidity also recorded a second straight weekly decline, but still above the recent 20-week moving average, showing that the cash flow has not withdrawn from the market but only got caught in certain caution.

On the technical front, the strong resistance level of the VN-Index in this rising wave will be around 1,400 points. However, because the market liquidity declined, it showed that the buying demand was not really strong and the market could reverse at any time when the selling pressure increased.

Accordingly, the market is likely to move up to 1,400 points this week and fluctuate strongly around this threshold.

Last week, the market liquidity on both exchanges continued to decline compared to the week before with an average of about VND23.7 trillion (US$1.03 billion) per session on the two exchanges.

The trading value on HoSE dropped by 13.1 per cent to nearly VND103.8 trillion, equivalent to a decrease of 11.4 per cent in trading volume to over 3.4 billion shares, while the trading value on the HNX plunged 31.2 per cent to VND14.85 trillion, equivalent to a trading volume of 645 million shares, down 25.8 per cent.

The market rallied slightly amid strong division in pillar stocks. Utilities stocks gained the most, up 3.6 per cent in market capitalisation, mainly boosted by rises of PetroVietnam Gas JSC (PVGAS, GAS) up 5.7 per cent, Pha Lai Thermal Power Joint Stock Company (PPC) up 4.4 per cent, and PetroVietNam Low Pressure Gas Distribution JSC (PGD) up 0.3 per cent.

It was followed by bank stocks with an increase of 1.9 per cent in market capitalisation. Bank stocks with outstanding performance were Vietinbank (CTG), up 5.1 per cent, Asia Commercial Bank

(ACB), up 3.9 per cent, and Vietcombank (VCB) and MBBank (MBB) both gaining 3.8 per cent.

Other sectors reporting big gains included gas and oil stocks and information technology stocks.

On the contrary, material stocks posted the biggest losses last week, down 1.4 per cent in market capitalisation. The losses were contributed by Hoa Sen Group (HSG), down 6.5 per cent, Hoa Phat Group (HPG), down 2.7 per cent and Nam Kim Steel JSC (NKG), down 2.6 per cent.

Meanwhile, foreign investors still fled from the market despite the new record high as they net sold more than 45 million shares, worth up to VND1.13 trillion.

Macro & Policies

2. Vietnam's yields of local currency bonds outstanding declined

Vietnam's total yields of local currency (LCY) bonds outstanding slightly declined 0.3 per cent on-quarter to VND1.6373 quadrillion($71.2 billion) at the end of Q1/2021, reversing the previous quarter's expansion of 8.1 per cent on-quarter.

The market contraction was due to lower outstanding government debt even as corporate bonds outstanding increased.

Government bonds accounted for a dominant share of Vietnam's bond market at 82.1 per cent versus corporate bonds with a 17.9 per cent share. On an annual basis, the bond market expanded 19.0 per cent on-year in Q1/2021, led by corporate bonds, which grew more than double during the quarter.

The government bond market contracted 1.1 per cent on-quarter in Q1/2021, reducing the government's outstanding debt to VND1.3435 quadrillion ($58.4 billion). A large volume of maturities was seen in government securities during the quarter, which was accompanied by low or no issuance across government bond segments.

LCY government securities in Vietnam rose for most tenors between February 28 and May 15, signalling that ample liquidity remained in the system and that risk aversion is sustaining the demand for government securities, thereby limiting the increases in rates.

Beyond the region, yields on short-term (2-year) government bonds from February 28 to May 21 largely declined on the back of accommodative liquidity conditions. Uneven recovery paths and market-specific economic fundamentals, meanwhile, caused long-term (10-year) government bond yields to diverge across the region.

The People's Republic of China (PRC); Hong Kong, China; Indonesia; and Vietnam posted declines in yields on both short-term and long-term government bonds while the Republic of Korea, Malaysia, and the Philippines posted increases.

Emerging East Asia's local currency bond market expanded to $20.3 trillion at the end of March this year. The bond market growth moderated in the period ended March 31, slipping to 2.2 per cent from 3.1 per cent in the previous quarter, as governments in the region sought to balance fiscal policy and the private sector remained cautious amid renewed outbreaks and uneven vaccine rollouts.

"Persistent uncertainty surrounding the COVID-19 pandemic and looming inflationary pressure have put a dent in emerging East Asia's bond markets, leading to volatility and mixed performances in the region's financial and equity markets," said ADB Chief Economist Yasuyuki Sawada. "The region's fast-expanding sustainable bond markets, underpinned by a growing interest in a green and inclusive recovery and conducive public policies, will be key to the region's efforts to rebuild smarter after the pandemic."

Emerging East Asia comprises the PRC; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; Thailand; and Vietnam.

The COVID-19 pandemic remains the biggest risk to the region's bond markets. Renewed outbreaks, the emergence of new virus variants, and slower-than-expected vaccine rollouts in some markets may hamper economic activity. Concerns that the US Federal Reserve might tighten monetary policy in response to growing inflationary pressure are weighing on financial conditions in the region.

Emerging East Asia's bond market was equivalent to 96.4 per cent of the region's economic output in the first quarter of 2021. Government bonds in emerging East Asia totalled $12.6 trillion at the end of March, representing 61.8 per cent of the region's total bond stock. The PRC remained the region's largest bond market, accounting for 77.8 per cent of emerging East Asia's bonds outstanding.

Sustainable bond markets in the ASEAN region plus the PRC; Hong Kong, China; Japan; and the Republic of Korea totalled $301.3 billion at the end of the first quarter, growing 13.2 per cent from the previous quarter and 44.5 per cent from a year earlier. The region's market now accounts for about 20 per cent of the global sustainable bond market, making it the largest after Europe's.

3. Cairns Group steps up reform in rules of agricultural trade in WTO

Ministers of 19 agricultural exporting countries in Cairns Group, including Vietnam, have recently issued a joint statement to step up reform in rules of agricultural trade within the framework of the World Trade Organisation (WTO).

The statement was issued following an informal ministerial-level meeting which was held virtually under the chair of Australian Minister for Trade, Tourism and Investment Dan Tehan.

Ambassador Le Thi Tuyet Mai, head of the Vietnam Mission to the United Nations, WTO and international organisations in Geneva attended the event.

In the statement, ministers underlined that it is essential for the WTO's Twelfth Ministerial Conference (MC12) to deliver an ambitious, concrete and equitable outcome in agricultural trade.

Reform of agricultural trade rules is long overdue. Article 20 of the Agreement on Agriculture mandated negotiations for the continuation of the multilateral reform process in agriculture. Agriculture remains the most protected and distorted sector globally. Reducing barriers to trade and market distortions is a critical pathway to enable countries to raise incomes and standards of living, provide employment and ensure sustainable development. In addition, rising global food insecurity, climate change and sustainable development challenges underline the urgency for such reforms.

According to the statement, taking meaningful steps towards reform at MC12 to make agricultural trade more predictable, open, fair and market oriented would also form part of an essential response of the multilateral trading system to the global impacts of the COVID-19 pandemic and help advance global food security.

Cairns Group ministers underlined the role of agricultural trade to achieve the 2030 Agenda and its Sustainable Development Goals (SDGs), in particular, SDG 1 "End poverty in all its forms" and SDG 2 "Zero Hunger". They reaffirmed that development lies at the heart of the multilateral trading system and agricultural trade reforms must continue to support the economic development needs of WTO developing members.

The reform process must deliver substantial progressive reductions in support and protection, and not result in the maintenance of the status quo or a reversal of Uruguay Round commitments.

Ministers called for a Ministerial Decision at MC12 that addresses agricultural trade- and production-distorting domestic support. This Ministerial Decision must be of sufficient ambition and specificity to enable meaningful reform of trade- and production-distorting domestic support entitlements. To this end, ministers of the Cairns Group underscored that the Framework for Negotiations on Domestic Support should be the basis for this Decision.

The Cairns Group reiterated its commitment to work with other WTO members and groups in a collaborative and constructive effort to secure a meaningful and ambitious outcome in agriculture at MC12, in line with the reform mandate set in Article 20 of the Agreement on Agriculture.

MC12 will be the WTO's first Ministerial Meeting in four years and the first since the onset of the COVID-19 pandemic. This is an important opportunity to deliver meaningful agricultural trade reform, they said.

Cairns Group accounts for about 25 percent of farm produce export globally. Ukraine has joined the group as an observer since 2019 and Australia served as a coordinator.

Vietnam became an official member of the group at the 19th WTO Ministerial Conference in Bali, Indonesia in 2013.

4. Vietnam's FDI disbursement rises nearly 7% in Jan-June

Disbursement of foreign direct investment (FDI) to Vietnam rose by 6.8% year-on-year in the first six-month period to US$9.24 billion, a report of the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment has shown.

An article from the UK-based lexology.com suggested the local economy is in a more favorable position compared to other countries in attracting FDI during the Covid-19 pandemic.

According to the article, the country's efforts in opening up the economy and integrating into global trade are two major factors for foreign investors.

To grasp new opportunities from Industry 4.0 and digital transformation, Vietnam is moving from low-technology production to new business models with higher added-value using modern technologies, it said.

In this regard, electronic production has been one of the fastest-growing sectors in Vietnam, with export turnover of electronic products rising from US$47.3 billion in 2015 to US$96 billion in 2020, accounting for one-third of total external revenue.

Data from the Ministry of Industry and Trade (MoIT) revealed foreign-invested sector made up 95% of export turnover from electronic products in the first quarter of this year, noting "the trend is set to stay unchanged in foreseeable future."

The manufacturing and processing sector leads the pack

Due to the difficult economic environment as a result of the Covid-19 pandemic, Vietnamese authorities approved 804 new projects with total registered capital of US$9.55 billion year to June 20, down 43.3% in the number of projects but up 13.2% in capital interannually, while 460 existing projects have been injected an additional US$4.12 billion, down 12.5% in number but up 10.6% in the capital.

During this period, 1,855 projects had over US$1.61 billion in capital contributed by foreign investors, down 55% in the number of projects and 54.3% in value year-on-year.

Investors have poured money into 18 fields and sectors, in which manufacturing and processing led the pack with investment capital of nearly US$6.98 billion, accounting for 45.7% of total registered capital. Electricity production and distribution came second with US$5.34 billion, or 35%, followed by real estate with US$1.15 billion.

FIA's report added that out of 80 countries and territories having projects in Vietnam in the first six months of the year, Singapore took the lead with US$5.64 billion, or 37% of the total registered FDI for new projects, followed by Japan with US$2.44 billion, or 16% and South Korea with US$2.05 billion or 13.4%.

Among 56 cities and provinces having received FDI in the January-June period, the southern province Long An has attracted the largest portion of capital commitments with US$3.57 billion, or 23.4% of the total. Ho Chi Minh City came second with nearly US$1.43 billion (9.3%), followed by the southern city of Cantho with US$1.32 billion (8.6%).

As of present, Vietnam is home to 33,787 valid foreign investment projects with a combined registered capital of US$397.89 billion, while the disbursed amount stood at US$241.1 billion, or 60.6% of the committed amount.

5. Covid-19 hotspot Bac Ninh allows all enterprises to resume operations

The enterprises are required to perform Covid-19 tests for at least 20 percent of their employees each week.

The northern province has also allowed enterprises to pick up workers from other localities and take them to Bac Ninh, including from Covid-19 epicenter Bac Giang. Workers allowed to work in Bac Ninh cannot be those who have to be quarantined over Covid-19 links. They should also not come from localities where social distancing measures are still in force.

Workers who come to Bac Ninh to work must test negative for the coronavirus.

Upon arriving in Bac Ninh, the workers will be taken to separate accommodation areas and isolated from local workers for three days. After three days, they will be tested for the novel coronavirus again, and if the result is negative, they will be allowed to resume work.

The provincial authority has requested enterprises not to fire employees under any circumstance while the province is implementing social distancing measures.

Bac Ninh has 10 industrial zones and 26 industrial clusters with over 1,100 enterprises employing a total of 450,000 workers who come from 21 cities and localities nationwide.

The fourth wave of Covid-19 starting from April 27 had forced 309 businesses in the province to suspend operations, over 184,000 employees to temporarily stop working and 16,000 to take unpaid leave. Around 10,000 people lost their jobs.

The province has so far recorded 1,554 Covid-19 cases in the fourth outbreak.

6. VCCI proposes working group to tackle container shortages

The Vietnam Chamber of Commerce and Industry (VCCI) has proposed an inter-ministerial working group be founded to tackle the container shortages and stabilise logistics fees which have skyrocketed recently.

This was one among the proposals VCCI sent to the Ministry of Planning and Investment regarding the project to support the Vietnamese economy in the current situation.

VCCI said that logistics costs saw strong increases from 2020, coupled with an increasingly severe shortage of containers.

For example, transportation fees from Vietnam to Southampton, the UK, increased from 1,600 USD in early 2020 to 5,000 USD in December and now 9,100 USD per container.

The transportation fees to Los Angeles, the US, rose from 1,800 USD in early 2020 to around 8,000 USD currently.

The shortage of containers also caused delays in shipments which caused rising costs for container storage at ports and even cancellations of orders. The situation worsened after the Suez Canal blockage in March as well as congestion at ports, according to VCCI.

VCCI pointed out that these problems were threatening to cause disruptions in the supply chains of many industries and push enterprises into a lot of difficulties.

It was necessary that the Ministry of Transport and the Ministry of Industry and Trade establish a working group to remove difficulties for enterprises and tackle the container shortage, VCCI said, adding that the working group should work closely with industry associations, ports and shipping lines to raise solutions to prevent manipulation which was pushing up transportation fees.

VCCI also proposed measures to improve the advantages of preferential tariffs in free trade agreements (FTAs) to boost imports and exports as well as tackling problems related to origin rules.

VCCI said that the percentage of revenue of export products that enjoyed preferential tariffs in FTAs in the country's total export revenue remained low and were on a downward trend in recent years, from 39 per cent in 2018 to 33 per cent in 2020.

Firms had not fully taken advantage of preferential tariffs in recent FTAs such as the Comprehensive and Progressive Agreement for Transpacific Partnership (CPTPP) and the EU – Vietnam FTA (UKVFTA), partly due to the lack of awareness about origin rules.

The Ministry of Industry and Trade should establish a working group about origin rules to provide consultancy to enterprises and enable them to take advantage of FTAs to promote exports.

Another solution was hastening the streamlining of administrative procedures to create favourable conditions for businesses.

As the COVID-19 pandemic was heavily affecting enterprises, VCCI said that the Government should enhance the efficiency and practicality of support policies to aid enterprises to overcome the difficult time. The support policies should focus on sectors which were hit hard by the virus as well as small and medium – sized enterprises.

Regulations that might push up costs for enterprises at this moment should be delayed to a more appropriate time, VCCI said.

7. Vietnam considered in good position to attract FDI: UK-based website

The Vietnamese economy has fared better than most during the COVID-19 pandemic and is well placed to capture renewed FDI interest, according to an article posted on the UK website lexology.com on June 23.

The article said in recent years, the Vietnamese Government has focused on opening its market while also boosting its international trade ties. After joining the World Trade Organization (WTO) in 2007 and many regional conventional trade agreement with the US, China, Europe, Japan, the Republic of Korea (RoK) and most of the significant economies in the world, the country has become a member of the "new era" global free trade agreements that form the biggest trading blocks of the world today such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP) as well as free trade agreements with the European Union, Japan and the RoK.

It noted that Vietnam's position in the World Bank's annual ease of doing business ratings has climbed from 91 out of 183 countries in 2010 to 70 out of 190 countries in 2019, adding that the country has also begun to look away beyond low-tech manufacturing to high value added and high tech sectors of the new economy, industry 4.0 and digital transformation.

Aware of that the ability to hold on to its competitive edge in the cheap manufacturing space is very limited, Vietnam has thrown its weight behind high-value industries such as electronics and software engineering, positioning itself to capitalise upon the fourth industrial revolution.

The electronics industry is one of the country's fastest-growing. The value of its electronics exports rose from 47.3 billion USD in 2015 to 96 billion USD in 2020, accounting for a third of national exports. In the global ranking of electronics exporters, Vietnam has climbed from 47th place in 2001 to 12th place in 2019.

The article cited statistics of the Vietnamese Ministry of Industry and Trade data which showed that FDI firms accounted for 95 percent of electronics export revenue in the first quarter of 2021. It affirmed that there is little reason to suspect that this trend will change in the coming years.

Vietnam has committed to climbing the manufacturing value chain through FDI and has been working for years to upskill its population in preparation. The Vietnamese government's economic and regulatory efforts will help drive FDI towards the Southeast Asian nation in the coming years, wrote the article.

Corporate News

8. VIC: Vingroup to take on Tesla with exports of electric vehicles to US

↑ 0.00%

Pham Nhat Vuong made the announcement at the company's annual general meeting held online on Thursday, saying the output of electric cars is currently modest due to the severe global chip shortage, but electric vehicles are "an opportunity for Vingroup and Vietnam to change their stature."

But he said from now through 2026 Vingroup would sell hundreds of thousands of electric vehicles in the U.S. market.

"We are confident of that number because this is competition between electric and petrol vehicles, not between electric vehicles and electric vehicles."

Vingroup has a unique business model in that it owns the batteries of electric vehicles and merely rents them out to buyers, he said.

Vinfast electric cars have an NCAP five-star safety rating and are fully comparable with Tesla's vehicles, he claimed.

By next year they would have level three driving autonomy or "environmental detection" capabilities enabling them to make informed decisions for themselves, such as accelerating past a slow-moving vehicle, he said.

Vuong also told shareholders about Vingroup's biotech operations, including Covid vaccines and focus on industrial property around the country.

The company targets revenues of VND170 trillion in 2021, a 54 percent increase from last year, and post-tax profits of VND4.5 trillion, almost the same as in 2020.

9. LPB: LienVietPostBank to increase to $523 million of charter capital

↑ 0.17%

Specifically, LienVietPostBank has been approved to increase its charter capital by a maximum of nearly VND1.29 trillion ($56.1 million) through the form of stock issuance to pay dividends.

According to the plan approved by the annual shareholders' general meeting, LienVietPostBank will issue nearly 129 million shares, equivalent to VND1.29 trillion to pay dividends in 2020 at the rate of 12 per cent. Thereby, the bank's charter capital is expected to increase to VND12.036 trillion ($523 million) after the issuance.

In addition, LienVietPostBank also plans to privately issue 66.7 million shares to foreign investors, 265 million shares for existing shareholders and 35 million shares under the employee stock ownership plan (ESOP).

In 2021, LienVietPostBank aims to achieve the pre-tax profit of VND3.2 trillion ($139.13 million), up 32 per cent compared to 2020. Total assets are expected at the end of the year to reach VND282.6 trillion ($12.3 billion), up 16.6 per cent compared to the beginning.

Credit card balance in the market for economic organisations and residents is planned to increase by 20 per cent to VND213 trillion ($9.26 billion), capital mobilisation increased 15 per cent to VND237.8 trillion ($10.34 billion). With this business plan, LienVietPostBank is expected to pay a dividend rate of 10 per cent in 2021.

At the end of the first quarter, LienVietPostBank reported a pre-tax profit of VND1.1 trillion (47.83 million), up 84.2 per cent over the same period last year thanks to the growth momentum from lending, services, and foreign exchange.

As of March 31, LienVietPostBank's total assets reached VND245.2 trillion ($10.66 billion), up 1.2 per cent, of which customer loans increased by 3.5 per cent to VND182.7 trillion ($7.94 billion).

Deposits from customers grew modestly by 0.9 per cent compared to the end of last year.

The bank's bad debts increased slightly to VND2.6 trillion ($113 million), the bad debt ratio remained unchanged at 1.42 per cent. The bank no longer has bad debts at Vietnam Asset Management Company (VAMC).

On June 23, Thaiholdings JSC bought 20 million LPB shares raising its ownership to 1.86 per cent. The transaction was made after the company sold all of its shares in the bank (719,400 shares) on June 16. It is estimated that the amount of money this company has to spend to make the transaction is more than VND570 billion ($24.8 million).

LPB shares closed the June 24 session at VND29,450 ($1.28).

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