



VIETNAM DAILY NEWS



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Market Analysis

1. Blue-chips boost shares, VN-Index reaches 1,400

The market rose strongly on Monday with the VN-Index reaching 1,400 points as investors poured money into blue-chip stocks.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark VN-Index rose 1.13 per cent to 1,405.81 points. The market's breadth was positive as 157 stocks declined while 228 climbed.

Market liquidity stayed higher than the previous session with some 700 million shares traded on the southern market, worth over VND23.2 trillion (US\$1 billion).

“VN-Index maintained its gaining momentum throughout Monday's session. The index climbed sharply, especially in the second half of the morning session,” said financial news site vietstock.vn.

“In the afternoon, the rally narrowed slightly at the beginning, but buyers still poured cash in and helped the index gain more than 15 points and continue to reach a new high,” it said.

The VN30-Index rose 1.41 per cent to close at 1,521.41 points. The gain was boosted by some large-cap stocks as 21 of the 30 biggest stocks in the VN30 basket rose, while six decreased.

In the VN-30 group, Tien Phong Bank (TPB) gained most with 5 per cent. Techcombank (TCB), Hoa Phat Group (HPG), Bank for Investment and Development of Vietnam (BID) and Vinhomes (VHM) all jumped more than 3 per cent.

Bao Viet Holdings (BVH), Thanh Thanh Cong – Bien Hoa JSC (SBT), Military Bank (MBB), Sacombank (STB), Masan Group (MSN) and HDBank (HDB) were among those that advanced above 2 per cent.

On the other side, Vingroup (VIC), Vinamilk (VNM), Phat Dat Real Estate (PDR), VPBank (VPB) and Vietjet Air (VJC) were among the losers of the group.

Construction materials, plastic and chemical manufacturing and insurance were the industries with growth of more than 2 per cent on the first day of the week.

Construction materials was led by Vicem Hai Van Cement Joint Stock Company (HVX) and Nam Kim Group (NKG). Pha Le Plastics Manufacturing and Technology Joint Stock Company (PLP) and An Phat Bioplastics JSC (AAA) also gained strongly.

Most of the insurance stocks increased. Post - Telecommunication Joint - Stock Insurance Corporation (PTI) led the group with more than 3 per cent, followed by Bao Viet Holdings (BVH), Petrolimex Insurance Corporation (PGI) and BIDV Insurance Corporation (BIC) with an increase of above 2 per cent.

On the Ha Noi Stock Exchange (HNX), the HNX Index gained 1.53 per cent to 323.10 points.

Nearly 130.5 million shares were traded on the northern exchange, worth VND3 trillion.

Macro & Policies

2. Vietnamese iron and steel exports to the EU soar

Iron and steel exports to the EU reached 713,000 tonnes in the first five months of this year, up five times year-on-year, reported the General Department of Customs.

The whole country exported 4.88 million tonnes of iron and steel with a value of US\$3.61 billion in the first five months of this year, a sharp increase of 61.6 per cent in volume and 117 per cent in value over the same period last year.

The EU, China, Cambodia, Malaysia and Mexico were the five largest import markets for Vietnamese iron and steel products.

Iron and steel exports have enjoyed many advantages as the demand for steel in many markets has increased strongly for many months, the Viet Nam Steel Association (VSA) told Dau tu (Viet Nam Investment Review) newspaper.

Exports to the EU have increased by five times over the same period amid the impact of the EU - Viet

Nam Free Trade Agreement (EVFTA), which has been in effect for nearly 10 months.

Many enterprises have taken advantage of opportunities to boost exports through trade facilitation.

The EU is known as a market that requires products to meet very high and strict standards. The sharp increase in exports partly shows Vietnamese enterprises have standardised production and satisfied the needs of consumers with high demands.

After only five months, Vietnamese steel exports to the EU has more than doubled compared to exports in the whole of last year.

Iron and steel exports reached 9.86 million tonnes, worth nearly \$5.26 billion last year, but exports to the EU were only 309,000 tonnes, worth \$235.5 million.

3. Viet Nam wood exports to rise to new record level

Wood products exports are expected to rise to a record US\$15-16 billion this year despite the impacts of the COVID-19 pandemic.

They were worth \$12.5 billion last year.

According to the General Department for Agricultural Products Processing and Market Development, in the first five months they were worth \$6.6 billion, up 61.3 per cent year-on-year.

Most companies have received orders for until the end of 2021, and they are 30 per cent higher than in 2020.

The US is the largest market, accounting for 60.4 per cent of all exports, followed by China with 9.9 per cent, Japan with 9.5 per cent, and South Korea with 5.7 per cent.

Viet Nam's wood products have achieved a solid foothold in many markets around the world, highly appreciated for their design and technology.

With the disruption of the supply chain due to the pandemic, the world's leading distributors tend to diversify and seek safer sources, and Viet Nam needs to make use of this opportunity, analysts said.

But the Ministry of Industry and Trade also warned that the rapid growth in exports comes with a concomitant risk of anti-dumping and anti-subsidy threats.

Viet Nam's wood industry is affected by trade tensions between major countries.

It has already faced anti-dumping lawsuits from the US and South Korea, especially for plywood-related commercial fraud and tax evasion. But plywood is

not the only item facing a threat, the Ministry of Industry and Trade said.

Recently the US Trade Representative accused the Vietnamese timber industry of using illegal wood, and the risk of resultant trade restrictions is very high.

The Ministry of Agriculture and Rural Development has issued a decision on geographic origins and timber species risk categories. This plays an important role in controlling the legality of imported timber.

According to the foreign trade defence handling division at the Ministry of Industry and Trade's department of trade defence, Viet Nam has faced a total of 199 cases so far, and in the last five years there have been 97 commercial defense investigations.

The most problematic markets are the US, India, Turkey, Australia, Canada, the EU and the Philippines, it said.

In 2020 alone Viet Nam faced a total of 37 cases related to tax evasion on plywood products and anti-dumping related to MDF wood.

To avoid anti-dumping and anti-tax evasion investigations, businesses need to have knowledge of trade defence and understand the true nature of this tool to make the right responses.

When exporting to a certain market, they should have information from importers, and as soon as information about anti-dumping investigations is known, businesses must respond.

The ministry has said it will issue warnings to support businesses.

It is also necessary to control exports to that market to ensure the lowest tax rate.

The Ministry of Industry and Trade also said the wood industry faces a severe shortage of human resources, especially tech-savvy workers while vocational training schools and universities find it very difficult to attract students.

4. Cold storage market faces serious lack of capacity

The trend of shoppers going online en masse is driving demand for cold storage facilities, something that is in severe short supply in Viet Nam.

Nguyen Quoc Trinh, chairman of the Long An Dragon Fruit Association, said June is the peak harvest season for many agricultural products in Long An, but exports remain difficult and local consumers have tended to switch online due to the Covid-19 epidemic, causing severe congestion and overload at cold storages.

Seafood is the other product that requires the largest cold storage capacity.

Trang Bui, senior director of markets, JLL Viet Nam, said in fact seafood exports top the list.

During the peak COVID period, 30 - 50 per cent of seafood export orders were cancelled, leading to an increase in inventories, forcing cold storages to work at maximum capacity.

Supply is constrained in part because cold storages take more time to build than other types of logistics facilities and more expensive than standard warehouses, she said.

They cost two to three times more, and the lease term is usually only 15-20 years, making the already scarce supply even scarcer, she said.

Besides, the industry requires expertise in temperature maintenance since each fruit, vegetable, meat, and fish has its own temperature requirements, and this explains why of the thousands of companies in the logistics sector only a few set up cold chains, she said.

JLL Viet Nam said cold storage demand would continue to grow strongly for at least the next half decade as global consumers change their shopping behaviour due to the pandemic.

With its huge potential real estate for cold storage is now attracting the attention of investors, venture capital funds and lenders.

They are also considering it an alternative to traditional industrial real estate, while logistics companies looking to expand into new markets.

The Louis Holdings Group has invested VND250 billion (US\$10.7 million) in vegetable processing and cold storage facilities in Long An Province.

Huynh Quang Vinh, general director of Louis Holdings Group, said the plant would focus on exports of the main agricultural products of Long

An Province and surrounding areas such as jackfruit, dragon fruit, pineapple, and mango.

With a capacity of four tonnes per hour, it is expected that the plant will supply 15,000-20,000 tonnes of agricultural products to the global food supply chain.

Ken Research, a global publisher of market intelligence, said that in 2016-21 the Viet Nam cold chain industry grew at a compound annual growth rate of 10.4 per cent.

It expects the market to be worth US\$1.8 billion this year.

5. Deposit interest rate proposed to gradually lower to 0%

The Viet Nam Association of Financial Investors (VAFI) on Tuesday proposed gradually lowering the Vietnamese dong deposit interest rate to zero per cent.

In a letter sent to the Prime Minister, the Ministry of Finance, the State Bank of Viet Nam (SBV), the Ministry of Planning and Investment, and the Central Economic Commission, VAFI said currently, many global and regional countries list deposit interest rates at zero per cent per year.

Some countries are even maintaining negative deposit interest rates to ensure an extremely low lending rate of only 2-5 per cent to promote the development of the business system and the stock market besides helping low and middle-income people buy houses and spend on necessary consumption to ensure social security.

Other ASEAN countries such as Thailand, Philippines, Malaysia and Singapore also list interest rates of 0 per cent per year for short-term local currency deposits and 0.2-0.7 per cent per year for long-term deposits.

In Viet Nam, interest rates for short-term and medium-term dong deposits are at 3.5-6.2 per cent per year, very high compared to the above countries. The high deposit rates lead to high lending rates as a domino effect, causing a great disadvantage for the domestic business community and a large number of low- and middle-income consumers.

VAFI attributed the high interest rates to a lack of solutions to direct savings and idle cash to flow into investment channels that aid the economy instead of the real estate and foreign currency markets.

According to VAFI, Viet Nam has many advantages, such as political stability, high-speed economic development, double-digit export growth and a large amount of remittances, to enable it to quickly lower the deposit interest rate to 0 per cent.

Based on such advantages, to gradually lower the deposit interest rate to 0 per cent, VAFI proposed that the Ministry of Finance urgently map out the Law on Property Tax that is expected to limit speculative cash flowing into the real estate market.

At the same time, to control and stop land prices from increasing, it is necessary to apply progressive property tax for second homes onwards. The tax can be low at first, but enough to prevent speculative cash flows, and then gradually increase to high rates like other countries.

According to VAFI, the measures are a prerequisite for quickly lowering deposit interest rates.

Besides, the Government should direct idle cash to flow into the bond market with low mobilising interest rates at less than 2 per cent per year. The banking system therefore will be able to mobilise huge and long-term capital, which will help it offer medium and long-term loans with low interest rates of below 5 per cent.

In addition, when deposit interest rates drop sharply, to prevent some of the idle cash from flowing into foreign currency speculation, the central bank should issue a policy on paying fees for foreign currency deposits at banks to ensure a stable exchange rate policy and macroeconomic balance.

However, banking expert Can Van Luc told Viet Nam News it was not feasible to lower the deposit interest rate to 0 per cent in Viet Nam.

Luc said it was irrational to compare interest rates of Viet Nam with other countries as Viet Nam is rated a higher risk by international credit rating agencies such as Standard & Poor's (S&P) than other countries.

The higher risk a country is exposed to, the higher interest rate it has to offset that risk, he said

According to S&P, Viet Nam ranks BB while Indonesia and Philippines are BBB; Thailand, BBB+;

Malaysia, A-; China, A+; South Korea, AA; and Singapore, AAA.

In addition, Viet Nam's inflation is much higher than those countries so the deposit interest rate must be higher than the inflation rate to lure depositors. Viet Nam's consumer price index last year was 3.2 per cent compared with 2 per cent for the world, 2.5 per cent for China and 1 per cent of ASEAN+4. This year, Viet Nam's inflation forecast is likely to be around 3.5 per cent, while the rate of the world is expected at around 2.8 per cent; China, 1.8 per cent and ASEAN+4, around 2 per cent.

Assuming Viet Nam could lower the deposit interest rate to 0 per cent while the inflation is still around 3.5 per cent, local people would not deposit their idle money in banks, but pour it into other more attractive investment channels, causing the banking system to suffer liquidity risks and fail to meet the credit needs of the economy, Luc said.

6. Careful consideration given to extending foreign ownership at petrol and oil business to 35%: Deputy PM

Deputy Prime Minister Le Van Thanh has asked the Ministry of Industry and Trade to give careful consideration to the proposal of extending the amount of foreign ownership at petrol and oil business to 35 per cent.

In the draft decree to amend to the Decree No 83/2014 concerning the petrol industry, the Ministry of Industry and Trade proposed the room for foreign ownership to be extended to 35 per cent, which would enable foreign investors to participate more in the domestic retail petrol market.

Thanh stressed that petrol and oil were strategic but sensitive products and could have large impacts on the national energy security.

Thanh asked the ministry to consider a number of aspects with comprehensive and objective analysis about opening more doors for foreign investors in the petrol and oil retail business.

Gains and losses in the short and long terms must be evaluated before a decision is made, Thanh stressed.

But the proposal has triggered some concerns.

Under the current regulations, enterprises with foreign investment were not allowed to import, export and distribute petrol and oil. This was to ensure that foreign investors would not have control over the petrol and oil market and affect the national energy security.

Idemitsu Q8 was the only foreign investor licensed to operate a petrol retail business in Viet Nam. Foreign ownerships at petrol distributors Petrolimex and PVOil were now respectively 20 per cent and 35 per cent. However, foreign investors at these businesses must be approved and licensed by competent authorities to participate in the petrol retail market as special cases.

The Ministry of Industry and Trade said that opening more doors for foreign investors to

participate in the petrol retail market would help promote the market's development.

Capping foreign ownership at 35 per cent would help to maintain the dominant role of domestic

enterprises while domestic firms would receive capital, technology and management strategy from foreign investors, the ministry said.

7. Real estate market expected to recover when virus is under control

The COVID-19 pandemic has caused a slowdown in the property market but many experts believe this is only temporary and are pinning their hopes on a rebound once the virus is under control.

Su Ngoc Khuong, senior manager at real estate consultancy firm Savills Viet Nam, said the outbreak of the COVID-19 pandemic in the second quarter of this year significantly affected socio-economic development. The real estate market saw declines in purchasing power and investors were more cautious.

Statistics from Viet Nam's largest property portal batdongsan.com.vn showed that after reaching a peak in March, the level of interest in the real estate market showed signs of decreasing.

Real estate searches on the portal in April dropped by nearly 18 per cent against March with searches for land down by nearly 21 per cent and apartments by 17 per cent. Interest continued to decline in May with searches for residential land decreasing by 19 per cent.

Notably, prices of apartments saw an increase of about 3 per cent against the same period last year.

Deputy Director of the Viet Nam Association of Realtors Nguyen Van Dinh said the shortage of supply was a major reason for the increase in the apartment prices in the first half of this year.

According to Matthew Powell, director of Savills Ha Noi, the COVID-19 pandemic would continue to impact the real estate market, causing uneven development between different localities, different market segments and different projects.

It was important that the virus be put under control together with the vaccination programme, he said, adding that when the virus was successfully contained, investment would flow into the economy.

He, however, urged individual investors to study the information of property projects, planning and infrastructure development carefully before making decisions.

Mai Duc Toan from the Construction and Material Trading Group said not only the real estate market but other sectors were holding their breath for the updates on the pandemic.

"The market is still difficult to predict. Local land fever might occur. If the pandemic is successfully put under control, the market would bounce back in the second half of this year," Toan said.

He added the real estate market development largely depended on the pandemic and pointed out that in the three previous outbreaks, prices were seen to increase in a number of segments, even forming large-scale land price fever at the beginning months of this year.

Ngo Quang Phuc, general director of Phu Dong Group, said the real estate market had large potential for development and the outbreak would only have a short-term impact.

Phuc said that the market was expected to see robust development, providing the legal problems of real estate projects were tackled properly.

Director Dai Phuc Land Nguyen Thi Thanh Huong said from the beginning of 2020 to date, despite virus outbreaks, the real estate market basically kept a solid foundation. There were not significant price drops or sell-offs but the market often saw stronger transactions and increases in prices.

According to Khuong, the property market would not see any breakthrough development because the Vietnamese economy was still struggling with the impacts of the COVID-19 pandemic.

Most transactions recently were from long-term investors who had idle money to pour into the real estate market, he said.

In the scenario of market recovery, the housing segment would be the most robust, driven by high demand, Khuong said, adding that while the pandemic affected incomes, housing demand would focus more on affordable homes.

He added that the resort and tourism property market would continue to suffer and retail property would struggle to compete with rising online platforms. The interest of investors in industrial property remained high but investment in this segment would not be as good as expected because of travel restrictions.

Corporate News

8. VCS: Vicostone's profit to soar 73% in Q2

↓ -2.22%

Vicostone Joint Stock Company estimated its revenue and pre-tax profit in the second quarter of this year jumped 59.2 per cent and 73.2 per cent year-on-year to nearly VND1.8 trillion (US\$77.3 million) and VND528 billion (\$23 million), respectively.

In its Q2 earnings estimates, Vicostone attributed these positive outcomes to the Board of Management's sustainable development strategy, business sensitivity and determined leadership, as well as corporate risk management capabilities and proactive response to overcome unpredictable changes in the global economy, as well as the assistance of the parent firm – Phenikaa Group.

The positive performance in the April-June period allowed Vicostone to make the first dividend payment for 2021 in cash at the rate of 20 per cent, worth VND320 billion, the company said in a statement.

According to Vicostone, the first six months of 2021 was the time in which the policies on the localisation of input material production and enhancement of penetration into the global material supply chain, with technical and manpower support from Phenikaa Group, proved effective and appropriate to the company's strategic direction.

Thank to these policies, Vicostone has almost achieved a full self-supply of input materials as the company managed to produce cristobalite and quartz, the two main materials, on its own.

Furthermore, polyester resin, one of the main ingredients for quartz production and accounting for about 40 per cent of the end-product, has been solely provided by Phenikaa Chemical Plant with superior qualities compared to the imported supplies.

By achieving these results, Vicostone has become less dependent on imported materials, limited the risks of currency exchange rates, optimised production costs, assured the quality of supplies and products, improved production efficiency and enhanced its market competitiveness.

As one of the three largest suppliers of engineered stone countertops to the global market, Vicostone always strives to initiate new trends, lead the market and stay creative and innovative.

Between January and June, Vicostone introduced to the international market five new brands for the two product series - Acqua Quartzite Series and Calacatta Series. The brands are to dominate the interior design sector in 2021-22 and have been well-received by customers and users on international markets.

9. DXG: Dragon Capital funds buys 2.7 million shares of Dat Xanh Group

↑ 0.83%

A group of investment funds run by Dragon Capital announced on Saturday it had successfully bought more than 2.71 million shares of Dat Xanh Group JSC (DXG).

DC Developing Market Strategies Public Ltd Co purchased 964,000 shares of DXG while Amersham Industries Ltd acquired 900,000. CTBC

Vietnam Equity Fund and Norges Bank, respectively increased their ownership by 500,000 and more than 349,000 shares.

After the deals, the amount of shares held by Dragon Capital group was raised from nearly 71.8 million shares to approximately 74.5 million, equivalent to an increase in ownership rate from 13.85 per cent to 14.37 per cent.

The transaction took place on June 24, 2021, with a price of VND24,200 per share, Dragon Capital group spent nearly VND66 billion in the deals (US\$2.9 million).

Regarding the ownership structure of the group members, currently Grinling International Ltd is holding the most with more than 19.1 million shares of DXG, equivalent to 3.69 per cent of capital. Norges Bank owns 16.3 million shares or 3.15 per cent capital and Vietnam Enterprise

Investments holds 15.75 million shares or 3.04 per cent of capital.

On the stock market, DXG shares closed Friday at VND24,150 per share, down 16 per cent from the peak of VND28,900 per share set in early June, but still recording growth of 51 per cent than at the beginning of 2021.

Research Team:**Tsugami Shoji** *Researcher*jsi@japan-sec.vn**Disclaimer:**

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Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn