VIETNAM DAILY NEWS

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Market Analysis

1. Market rebound led by surging large-caps

Shares rebounded on Tuesday as a surge from large-cap stocks boosted indices but the market was still impacted by strong selling pressure.

On the Ho Chi Minh Stock Exchange (HoSE), the benchmark VN-Index edged up 0.10 per cent to close at 1,297.54 points.

Market breadth was positive as 112 stocks declined while 265 increased.

Market liquidity was lower than Monday with a trading value of more than VND15.9 trillion (US$690.8 million), equivalent to some 539.6 million shares traded on the southern market.

After a sharp drop on Monday, the Vietnamese market rebounded Tuesday with the support of large-cap stocks.

"The bottom-fishing cash flow has returned to the market but cautious sentiment still prevailed, hindering the growth of the indexes. The market in the morning session continuously struggled around the reference level," said financial news site cafef.vn.

Banking stocks traded differently with Vietinbank (CTG), Vietcombank (VCB), Vibank (VIB) and Lien Viet Post Bank (LPB) all dropping. Military Bank (MBB), Maritime Bank (MSB), VPBank (VPB) closed at the reference level while Asia Commercial Bank (ACB), Bank for Investment and Development of Vietnam (BID), HDBank (HDB) and Techcombank (TCB) recovered at the end of the session.

Securities stocks also performed well such as SSI Securities Corporation (SSI), VNDirect Securities Co (VND) and MB Securities (MBS).

Notably, penny stocks were the darlings of the market with some strong gainers like Truong Thanh Furniture Corporation (TTF), Hoang Quan Consulting-Trading-Service Real Estate Corporation (HQC), and Dong A Plastic Joint Stock Company (DAG). They all hit the ceiling prices.

"The VN-Index struggled around reference level in the morning and although selling pressure increased in the afternoon session, the demand appeared at the end of the session and helped the index close with a slight gain," said BIDV Securities Co.

"Investment cash flow increased again although foreign investors were net sellers on both HoSE and HNX.

"In addition, market breadth turned positive with liquidity declining compared to the previous session. According to our assessment, the current demand is still not strong enough to help the index reverse and the market may still see slight drops this week," it said.

The VN30-Index, tracking the 30 biggest stocks in market value, decreased 0.15 per cent to 1,440.87 points. Nineteen of the VN30 basket rose, while three stocks decreased.

On the Ha Noi Stock Exchange (HNX), the HNX-Index rose 1.27 per cent to close at 296.70 points.

Nearly 100.8 million shares were traded on the northern bourse, worth VND2 trillion.

Macro & Policies

2. Exporters face slew of difficulties due to COVID

Though exports remain strong, several sectors face difficulties due to the COVID-19 pandemic and require support from the Government if they are to sustain the growth, experts said.

Vietnam is benefiting from the disruption of global supply chains, and manufacturers are seeking to diversify supply, including from Vietnam.

Global demand is recovering and this is an opportunity for Vietnam to boost its exports of consumer and industrial products, according to the Ministry of Industry and Trade.

It forecast Vietnam's foreign trade to remain robust as free trade agreements are gradually being implemented in a more comprehensive and effective manner.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the EU-Vietnam Free Trade Agreement (EVFTA) and the UK-Vietnam Free Trade Agreement will continue to smooth the way for Vietnamese goods to enter partner markets with preferential tariffs.

Yet Pham Xuan Hong, Chairman of the Ho Chi Minh City Association of Garment, Textile, Embroidery and Knitting, said he remains worried since some members have had to suspend production since they are in a lockdown area or their workers are isolated for living in such areas.

"Though [the impact] is not too serious yet, there is cause for worry since we do not know when the pandemic would be controlled. If social distancing is prolonged, it will definitely affect export orders signed with foreign partners."

Truong Dinh Hoe, Secretary of the Vietnam Association of Seafood Exporters and Producers (VASEP), said he has petitioned the Ministry of Agriculture and Rural Development to resolve the problem of lack of containers for exports and reduce the growing freight rates.

In April freight for a 40-foot container to the west coast of the US was around 5,000 USD, but now it is more than 10,000 USD. It used to be less than 1,000 USD during pre-pandemic times

Freight rates to Europe are also at high levels of 7,000-8,000 USD.

Tran Van Linh, Chairman of the Thuan Phuoc Seafood and Trading Corporation, said that marine transportation fees were at unreasonably high levels but import-export companies like his had to accept them.

Cancellation of orders or failure to deliver in time would undermine the company's prestige and efforts to find customers in future.

Truong Tien Dung, Director of the Sai Gon Aquatic Products Trading Joint Stock Company, said despite the increase in transport costs, it would be impossible to negotiate increases in products prices because COVID has caused consumers in places like the US and the EU tighten their purse strings.

But the high transport costs are eating into companies' profits, and not just the seafood sector but also others' exports would be hit hard, he warned.

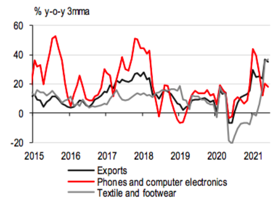
3. Vietnam economic recovery stays positive despite worst Covid-19 wave yet

Vietnam's economic recovery remains bright despite the worst Covid-19 wave since the start of the pandemic, given numerous tailwinds, such as growing FDI inflows and an extended global tech upswing, remain in place, according to HSBC's latest report.

"Even as Vietnam lags behind its peers in terms of vaccinations, it has made progress to accelerate vaccine procurement," it noted, saying that the country will likely receive 62 million doses, enough to inoculate around 30% of its population by end-2021.

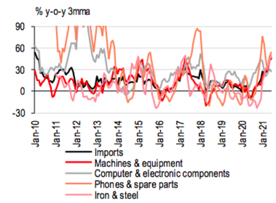
HSBC, however, trimmed its 2021 growth forecast for Vietnam from 6.6% to 6.1% to reflect the impact of the recent outbreak.

Chart 6. Exports continued to outperform in 2Q21



Source: CEIC, HSBC

Chart 7. Imports rebounded even more strongly



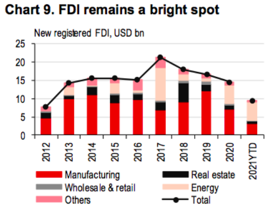
Source: CEIC, HSBC

The services sector was no doubt the hardest hit. Its contribution to growth shrank from 45% before the pandemic to only around 20% in the second quarter. Tourism-related sectors, particularly transportation and accommodation, continued to remain in the doldrums. As border restrictions have been swiftly tightened since the beginning of the recent outbreak, air traffic has seen a notable impact, with flights in Hanoi airport down 50% from the first quarter.

Meanwhile, Vietnam's domestic demand has become even bumpier. Since the start of the fourth Covid-19 wave, May and June's data saw two consecutive declines in year-on-year terms.

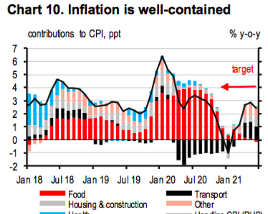
"This reflects a much larger magnitude of this outbreak than during the previous two waves. After all, Vietnam's mobility fell as much as 30% below the pre-pandemic level, the second-largest decline in ASEAN," stated the HSBC.

Chart 9. FDI remains a bright spot



Source: CEIC, HSBC

Chart 10. Inflation is well-contained



Source: CEIC, HSBC

In addition, the recent outbreak exacerbates the weakness in the labor market. Overall, the unemployment rate ticked up from 2.4% in the first quarter to 2.6% in the second, with the total number of jobs shrinking 65,000 quarter-on-quarter or 9% below the pre-pandemic level.

Contrary to an evident hit to domestic demand, external sectors remained surprisingly resilient in 2Q21. Exports rose 33% year-on-year in the April-June period, partly due to favorable base effects.

"Vietnam still reaps the benefits of elevated demand for pandemic-related products, including electronics and machinery," it added. In addition, traditional manufacturing has been leading firm export growth, thanks to improving global demand and hefty cash transfers to Western consumers.

Foreign direct investment (FDI), which reflects investors' long-term confidence, defied recent Covid-19 challenges. New FDI rose 13% year-on-year in the first half of 2021, while FDI disbursement grew almost 7%.

On inflation, HSBC expects the rate to average 2.8% in 2021, providing flexibility for the central bank to remain on hold in 2021.

"That said, once Vietnam is able to contain Covid-19, it should regain its momentum quickly," it noted.

Fitch Solutions, a subsidiary of Fitch Group, made a more cautious forecast for the country's GDP growth at 5.8% in 2021, noting manufacturing activity to be the main growth driver over the remainder of the year, while construction and services will continue to post positive but relatively weak growth.

"Growth in this component will continue to benefit from improved market access from the EU-Vietnam and EU-UK free trade agreements, as well as the ongoing global inventory, restocking cycle. Looser Covid-19 containment measures in Europe, the US, and China encouraged by rapid vaccination progress, all point to better business optimism around the outlook for consumer spending, and this is likely to feed into stronger order books for Vietnamese exporters.".

4. Vietnam aviation industry to get bustling in H2

Vietnam's aviation industry is forecast to recover in the second half (H2) of this year fueled by accelerated vaccination in the country and the world in general.

Many of Vietnam's key aviation markets such as Northeast Asia and Europe will soon achieve herd immunity that largely supports the gradual reopening of international flights at the end of the third quarter or the fourth quarter of 2021, according to Head of the Civil Aviation Authority of Vietnam (CAAV) Dinh Viet Thang.

Specifically, the national flag carrier Vietnam Airlines will resume direct flights between Vietnam and Asia, Europe, and Oceania from July to October 2021.

Under the plan released on July 12, Vietnam Airlines will resume the Hanoi-Tokyo, Japan flights on Wednesdays and Saturdays from July 17 to October 30; the Ho Chi Minh City-Bangkok, Thailand every Wednesday, and the Tokyo-Ho Chi Minh City on Thursdays between August 1 and September 3.

In addition, the airlines will re-operate the Hanoi-Frankfurt, Germany flights on July 25-28 and August 21; the Hanoi-London the UK on August 13 and September 2; and the return flights one day later.

The Ho Chi Minh City-Sydney flights are scheduled from July 15 to October 30 and the Ho Chi Minh City-Melbourne from July 20 to October 30.

Vietnam Airlines' upcoming plan is aimed to make full use of vaccination-based opening in order to carry both freight and passengers in round-trip flights to maximize the manpower and boost revenues amid Covid-19 impact.

To support the international flights, Vietnam Airlines will pilot the application of the International Air Transport Association (IATA) Travel Pass, a digital travel mobile app providing passengers with Covid-19 testing results and vaccination status, as of July 15.

Chairman and CEO at British Airways Sean Doyle described the move as "a solution that plays an important role in the resumption of international routes, helping people feel secure to travel and work."

Longer roadmap

Vietnam's international passenger market likely takes two or three years to return to the growth rate of 2019 [before the global health crisis] but the domestic flights are expected to bounce back shortly after the pandemic is brought under control, according to Vietnam Airlines' Chairman Dang Ngoc Hoa.

In 2019, Vietnam's airports welcomed 116 million passengers, up 12% year-on-year. Cargo increased by 11% to 1.5 million tons and aircraft movement increased by 13% to 740,000 flights.

"With an optimistic scenario, by 2023 or 2024, Vietnam's aviation market is projected to recover to the same size in 2019," he stressed.

Head of CAAV Thang said: "Vietnam's aviation market will begin to recover from the middle of the third quarter of 2021 with more than 70 million passengers travel by air in 2021."

In the coming time, passengers remain foreign diplomats, experts, and Vietnamese returnees in addition to freight.

In the first half of this year, Vietnam's aviation industry welcomed 26.8 million arrivals, down 19.4% year-on-year while freight increased by 12.7%, statistics by CAAV showed.

Vietnam is the world's seventh fastest-growing aviation market. In the 2016-2021 period, Vietnam is expected to have the highest average growth rate in Southeast Asia at 17.4%, compared to the 6.1% in ASEAN. The major drivers of this development include a growing tourism industry, the emergence of low-cost carriers, and strong economic growth, according to the US Department of Commerce.

Vietnam has 22 airports, of which 11 are international and 11 are domestic. The total designed capacity of Vietnam airports is approximately 96 million passengers per year.

5. Manufacturing firms see improvements ahead

A survey carried out by the General Statistics Office (GSO) found 39.2 per cent of firms questioned expect better performance in their production and business in the third quarter of 2021, and 38.6 per cent believe production and business will stabilise.

Meanwhile, 22.2 per cent of enterprises predict they may face more difficulties than the previous quarter.

The GSO said that industrial production in the second quarter reported positive growth as production and business activities were maintained and gradually recovered, with the added value up 11.45 per cent year-on-year.

In the first half of this year, the industrial sector's added value is estimated to increase by 8.91 per cent year-on-year, of which the manufacturing and processing industries grew by 11.42 per cent.

At present, major groups are planning to invest in Viet Nam, mainly in electronic production and component manufacturing.

As of June 30, the inventory rate of the manufacturing and processing industries increased by 24.3 per cent year-on-year.

To address inventory and boost production, the Ministry of Planning and Investment proposed localities continue stepping up administrative procedure reform and simplifying specialised inspection procedures.

On June 1, the number of labourers working in industrial firms decreased by 1.4 per cent month-on-month, and 1 per cent year-on-year.

6. Vietnam Central Bank calls for lower interest rates in July

The State Bank of Vietnam (SBV), the country's central bank, suggested the Vietnam Banks Association (VNBA) should reach an agreement with commercial banks and institutions in lowering interest rates in July.

SBV's Vice Governor Dao Minh Tu made the statement in a recent meeting discussing measures to support businesses and the national economy amid severe Covid-19 impacts.

According to Tu, in the past 18 months since the first Covid-19 outbreak in Vietnam, difficulties that the business community is facing is mounting, which has been reflected by a surge of 25% year-on-year in the number of enterprises temporarily suspending operation to 70,200 in the first six months, higher than the number of newly-formed enterprises at 67,100.

“This shows enterprises' resilience is diminishing,” he noted.

In this situation, the banking sector has been seen as an active supporting channel for enterprises through debt payment restructuring, waiving and extending payment of interest rates, and providing new loans with preferential rates.

Tu, however, said as the pandemic continues to persist, stronger measures are required from banks in restructuring debts and providing lower interest rates for customers.

“Banks operation should balance two objectives of supporting businesses overcoming the pandemic and ensuring safety for the banking system in short-, mid-and long-term,” he added.

On this issue, banking expert Nguyen Tri Hieu pointed out the fact that while there has been a growing number of enterprises on the brink of bankruptcy, the banking sector posted strong profitability in the six-month period.

“One of the key reasons is that banks have not lowered interest rates in proportion with the fast-declining capital mobilizing rates,” he told The Hanoi Times.

“Banks face a dilemma of rising bad debts in case they extend debt payment or provide unsecured loans for enterprises,” Hieu stated, saying only those with a good credit score or good financial situation can have access to loans.

Hieu proposed the SBV to set up loan syndication worth VND300 trillion (US$13 billion) with the participation of all commercial banks, so as to provide enterprises qualified for syndicated loans with preferential interest rates from 3-5% per year and in five years.

Moreover, they should be allowed for having a one-year grace period for principal and interest payments.

The Vietnam Young Entrepreneurs Association (VYEA) previously submitted an open letter to the Government and the SBV asking for supporting measures for young businesses during this difficult period.

Among measures proposed, the VYEA called for banks to lower interest rates for existing loans by 2% for at least one year and 1.5-2% for new loans in 12 months since July 2021.

7. Insurancers performing well, but cautious about business prospects in H2

In Viet Nam, following the growth momentum of 2020, 75 per cent of insurance enterprises participating in VNR's survey recorded positive results in 2021.

In the fourth wave of the COVID-19 outbreak, however, insurers have become more cautious about their business prospects. Only slightly more than half are optimistic about their business results in the second half of the year, a significant reduction from just over the 90 per cent recorded last year.

Meanwhile, the number of insurers who think that business would be more difficult has increased sharply from 4.8 to 35.3 per cent of respondents.

The VNR survey showed that insurers are facing five big challenges including: increasing competitiveness in the industry, risks caused by natural disasters and extreme weather conditions, pandemics, decreased income of its client base, and insurance fraud.

According to the General Statistics Office, about 22.2 million workers lost income due to the impact of COVID-19 in 2020. In the first quarter of 2021 alone, this number reached 6.5 million people, approximately one-third of 2020's whole year figure.

However, this does not mean that the door for growth opportunities is closed.

VNR's survey indicates three growth drivers for the industry. These include: people's awareness and understanding of insurance increasing; technology being developed and applied to improve the insurance industry's value chain; and the diversification of insurance distribution channels.

Awareness of and about insurance has been a big contributor in growth in the industry, according to 70.6 per cent of surveyed enterprises, a sharp increase from 61.9 per cent in 2020.

It's believed that this has been driven by COVID-19 pandemic, which has brought to the fore the vulnerability of people's personal finances.

That said, the insurance penetration rate/GDP in the country is still relatively low.

In 2020, Viet Nam had 11 per cent of the population participating in life insurance, with the average insurance premium-to-GDP ratio up by 3 percent. With this momentum, by 2025, it is estimated that 15 per cent of the population will participate in life insurance generating an expected revenue of 3.5 per cent of GDP.

VNR said in the next normal period, risk management - the core value of the insurance industry - will be different due to fundamental changes in perceptions and behaviours of economic agents.

COVID-19 has increased the need for industry stakeholders to more greatly engage with their customers. This is creating a profound shift towards a holistic service approach focused on risk management and prevention.

Corporate News

8. PET: Petrosetco will soon issue 4 million ESOP shares

↓ -4.04%

Accordingly, Petrosetco will issue another 4 million ESOP shares with a rate of 4.79 per cent of the company's outstanding shares. The issue price is VND10,000 per share, less than half the market price.

Time to receive money to buy shares is from July 19 to August 21. The transfer restriction period for stocks issued under the company's ESOP is two years from the completion date of the offering.

Of which, all employees who are allowed to buy ESOP shares this time will commit to work for Petrosetco for at least two years. In case an employee resigns before the deadline specified above, all ESOP shares will be retrieved at a price that is not lower than VND10,000 per share.

Petrosetco also announced registration to sell all of its more than 3 million treasury shares, with the expected trading time from July 22 to August 18. The purpose is to add business capital and invest in development. The deal is made through order matching and/or agreement.

The bid price will follow the Ho Chi Minh Stock Exchange (HoSE) price determination principles and the Ministry of Finance's regulations, but must not be lower than VND18,000 per share.

On the stock market, PET shares were traded at VND21,300 per share on Monday morning. At this price, Petrosetco will collect VND63.9 billion from the transaction.

9. DCM: Ca Mau Fertiliser's profit before tax expected to rise 8 per cent in the first half of 2021

↓ -3.86%

During a recent online meeting with investors, Nguyen Van Thanh, General Director of PVCFC, said that the first half of this year was considered unprecedented in the past 10 years as prices of fertiliser products and urea soared. In the first half of 2021, its plant's operations were interrupted due to impacts on gas supplies. However, the problem was soon solved, ensuring production output as planned.

In the second quarter, the plant's operating capacity was over 110 per cent, which was enough to compensate for the shortfall in the first quarter and ensure supply for the domestic market.

As of June 30, the company's total production volume reached 456,000 tonnes, which met 102 per cent of its plan. Consumption volume reached 421.000 tonnes, helping PVCFC achieve an estimated revenue at over VND4.3 trillion ($188.9 million), equivalent to 108 per cent of the plan.

With effective cost-saving activities, its profit before tax is expected to rise around 8 per cent year-on-year to VND411 billion.

In the near future, the company's leader set out broad plans to change the business model and expand the market. Accordingly, it follows the trend of using high-quality NPK combined with micro-organic fertilisers, as well as provide high-tech agricultural solutions.

By 2025, PVFCF targets the brand awareness level of the company in the Mekong Delta, Southeast, Central Highlands and Cambodia to reach at least 65 per cent. The fertiliser producer will also diversify product groups of urea, NPK, micro-biological and organic fertilisers, as well as sell other fertilisers and provide agricultural services, maintenance and operation services.

On the stock market, DCM shares, which are traded on the Ho Chi Minh Stock Exchange (HoSE), closed Monday's trade at VND16,000 per share, down 6.16 per cent.

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