



VIETNAM DAILY NEWS

July 29th, 2021



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Market Analysis

1. Cashflows into securities continue to decrease

The market struggled with high divergence on low liquidity, with value traded on HoSE trading floor on July 28 of only more than 13,000 billion dong.

The increase in the first two sessions of the week did not help the stock market get better. On the contrary, the profitable volume of T+3 goods created negative pressure on the market. VN-Index opened Wednesday (July 28) in the red, with many large-cap stocks sinking below reference level.

As expected, both buyers and sellers highly cautious, making the trading pace slow and liquidity very low. The demand did not try to push the price up, while the sellers were also cautious and did not decide to sell at all costs. The market moved near reference level for the whole session, with a margin of less than 10 points. At the end of the session, the positive sentiment returned to VN-Index thanks to the pull of VCB, but the situation of "green shell, red heart" recurred when the number of losers dominated.

VN-Index closed at 1,277 points, slightly inched 0.01%. VN30-Index was in the opposite direction

when it dropped 0.17% to 1,407 points. On HNX, HNX-Index and UPCOM-Index both surpassed reference but the amplitude was low.

Although the index remained in the green, losers still dominated on HoSE. The Ho Chi Minh Stock Exchange recorded 214 losers, compared to 141 gainers. Particularly for VN30 group, 16/30 blue-chips were below reference point.

The most positive contribution to the market was banking stocks and VIC. VCB topped the gain of VN30 with a margin of more than 2%, CTG, HDB increased by more than 1%, TPB, MBB, BID exceeded reference. VIC also added 0.9% after today, HPG gained 1.1%, SSI gained 0.8%.

In contrast, NVL was the biggest loser dropping 2.3%, POW down 1.9%, VRE down 1.6%, KDH, VPB, VHM down 1%.

Market liquidity is expected to stay low, with HoSE trading at just over 13,000 billion dong. Foreign investors were net buyers today but the value was just over 60 billion dong.

Macro & Policies

2. Upgrade expected to raise capacity at int'l port cluster

The Cai Mep - Thi Vai port cluster in the southern province of Ba Ria - Vung Tau is investing in upgrading infrastructure to increase cargo-loading capacity, according to Tan Cang Sai Gon Corporation.

The port cluster in the province's Phu My town is an important international transit port, contributing greatly to the country's socio-economic development.

The corporation said the port cluster had reached over 90 percent of its designed capacity.

The upgrade could help operating seaports at the port cluster receive large container vessels and service ships.

By 2023, the port cluster's capacity is expected to increase by 53 percent compared to 2020.

In the last five years, the volume of goods passing through the port cluster grew at an average of 20.3 percent per year.

In the first six months of the year, the total volume of goods passing through the port cluster reached more than 54.4 million tonnes, a year-on-year increase of 16 percent.

Of the total, the volume of container cargo was estimated at more than 4.5 million twenty-foot equivalent units (TEUs), up 41 percent over the same period last year.

In January, Gemalink International Port's first phase opened at Cai Mep - Thi Vai port cluster, with an annual capacity of 1.5 million TEUs, raising the port cluster's annual capacity to 8.3 million TEUs.

Last year the port cluster handled cargo amounting to 7.75 million TEUs, equivalent to 91 percent of its designed capacity, according to the Vietnam Maritime Administration.

Only eight transport routes were linked to the Cai Mep - Thi Vai port cluster in 2013.

There are now 32 transport routes connecting to the ports, including 25 international routes and seven domestic routes.

The volume of goods is expected to increase in the coming time because of growth in trade and cargo volume in service routes connecting Cai Mep - Thi Vai port cluster and other continents such as Europe and America, and Intra Asia Pacific shipping routes.

Construction work is being sped up on several transport projects to improve connections between the port cluster and other localities in the region, such as Bien Hoa-Vung Tau and Ben Luc - Long Thanh expressways, Phuoc Hoa - Vung Tau Route, and an inter-port road.

Cai Mep - Thi Vai port cluster began operating in 2009. It is expected to be developed into an export and import gateway for the southern key economic region and a world-class seaport hub by 2045.

3. Firms must try to take advantage of FTAs: experts

Russia is a potential market for Vietnamese exporters of farm produce to tap, experts said, saying enterprises should fully take advantage of the Vietnam- Eurasian Economic Union Free Trade Agreement (VN-EAEU FTA).

Statistics from the General Department of Vietnam Customs showed that in the first five months of this year, Vietnam exported 21,300 tonnes of aquatic

products to Russia for 72.2 million USD, representing an increase of 72 percent in volume and 60.4 percent in value compared to the same period last year.

Of these, frozen shrimp of all kinds is the item with the largest export value, with 2,000 tonnes, worth 18.4 million USD, up 69.6 percent in volume and 72.9 percent in value over last year's figure.

Exports of frozen octopus and pangasius also saw strong growth.

Despite the COVID-19 pandemic, in 2020 the export turnover of vegetables and fruits to Russia still picked up 58.7 percent compared to the previous year to reach 54.4 million USD. It reached 26.2 million USD in the first four months of this year, a year-on-year increase of 32.4 percent.

According to the Export-Import Department under the Ministry of Industry and Trade, Russia has been a traditional export market of Vietnam since the 1990s, especially for agricultural products such as coffee, pepper, tea, and vegetables.

In addition, Vietnam is a signatory of the VN-EAEU FTA which covers more than 90 percent of all tariff lines. Of which 59.3 percent of tariff lines have been reduced to zero percent. This is a golden opportunity for Vietnamese enterprises who engage in exporting farm produce to the Russian market.

Since the agreement took effect in 2016, Vietnam's vegetable and fruit exports to Russia have grown at an average 20 percent a year, which is a very positive sign.

However, according to experts, obstacles remain for the export of Vietnam's agricultural products to the Russian market, reported *Cong thuong* (Industry and Trade) newspaper.

The average price of shrimp exported to Russia is higher than that of the three largest suppliers, making the product less competitive and its market share still low.

Vietnamese pomelos have to compete with those of other countries, especially Chinese ones, which

have maintained their number one position in the Russian market for decades. Requirements for entry of the product to this market are quite strict, ranging from pomelo varieties to technical standards and food safety.

To maintain growth and improve the market share of Vietnam's agricultural and aquatic products to Russia and EAEU countries, experts recommend that businesses regularly update information on the implementation of the VN-EAEU FTA.

The focus should be on ensuring the reputation and quality of exported products.

It is necessary for enterprises to promote the export of processed farm produce to reduce the risk of transportation and preservation costs and improve the competitiveness of products in this market, they said.

Experts also highlighted the need to strengthen support for trade promotion activities, improve market forecasting and provide specific information for enterprises to work out plans and expand their business to Russia.

According to customs data of the EAEU, despite being affected by the COVID-19 pandemic, two-way trade between the bloc and Vietnam still reached about 6.2 billion USD in 2020, up 11.7 percent compared to 2019.

In the first six months of this year, Vietnam's trade turnover with EAEU member countries is estimated at 2.7 billion USD, an increase of 14.9 percent over the same period last year. In which, exports value from Vietnam was 1.66 billion USD, a year-on-year rise of 31.3 percent.

4. Bac Giang takes lead in attracting manufacturing FDI

Despite a new outbreak of Covid-19 in Vietnam, new industrial zones have risen and key industrial projects have kickstarted their operations. Specifically, 2021 has witnessed new merger and acquisition (M&A) deals and improvement in industrial land supply, noted Savills Vietnam, which primarily provides property research and related services.

By June 20, the country attracted US\$15.27 billion in total registered FDI. The manufacturing and processing sector attracted a total of US\$6.97, accounting for 45% of total inflows, with 273 new projects registering US\$3.09 billion and 286 existing projects raising capital by US\$3.38 billion.

Observing the FDI breakdown, John Campbell, manager of Industrial Services at Savills Vietnam, noted that the North received the majority of newly registered manufacturing investments with US\$1.97 billion, representing a 64% share. The South lured US\$728 million (23%), while the Central region attracted US\$395 million (13%).

“In terms of investors, the largest manufacturing projects in the first half of 2021 were from Jinko Solar and Fukang Technology from Hong Kong and Singapore investing US\$498 million and US\$270 million in Quang Ninh and Bac Giang, respectively,” Campbell said.

Regarding M&A activities, 2021 witnessed new deals. Boustead Projects signed an agreement for the proposed acquisition of 49% interest in KTG & Boustead Industrial Logistics Joint Stock Company.

If successful, the partnership will consist of 13 real estate seed assets amounting to US\$141 million in gross asset value, covering about 840,000 square meters of land area and some 550,000 square meters of gross leasable area.

ESR Cayman Limited, the largest Asia-Pacific-focused logistics real estate platform, and BW Industrial Development JSC, the leading logistics and industrial real estate developer and operator in Vietnam, have entered into a joint venture to develop 240,000 square meters at the My Phuoc 4 Industrial Park near HCMC.

The partnership marks ESR's entry into Vietnam, expanding the group's Asia-Pacific footprint in the high-growth Southeast Asia region.

Regarding new projects, Logos Property's 81,000-square-meter project in VSIP Bac Ninh 1 Logistics Park is expected to be launched in the fourth quarter of this year.

KCN Vietnam Group JSC, a new player in the market, acquired a significant land bank of 250 hectares with an investment of US\$300 million. It aims to develop premium, sustainable factories and warehouses for rent in Vietnam with a national portfolio spanning across Dong Nai, Long An, Bac Giang, Haiphong and Hai Duong.

5. Parliament eyes average growth of 6.5 - 7 percent for five years

The National Assembly (NA) on July 27 approved a resolution on the socio-economic development plan for 2021 - 2025, targeting an average annual growth rate of 6.5 - 7 percent during the period.

According to the resolution, the overall goal is ensuring fast and sustainable economic growth on the basis of enhanced macro-economic stability while achieving an economic growth rate higher than the average of the 2016 - 2020 period so that Vietnam will become a developing country with modernity-oriented industry and escape from the lower-middle income status.

Apart from the growth target of 6.5 - 7 percent, the resolution also aims at per capita GDP of 4,700 -

5,000 USD on average, the processing - manufacturing industry making up over 25 percent of GDP, and the digital economy about 20 percent of GDP in the next five years.

To that end, it detailed 11 groups of key tasks and solutions, including working to obtain the “twin targets” of curbing COVID-19 and recovering and developing the economy and society; pressing on with building and completing development institutions, firstly the ones of the socialist-oriented market economy; stepping up economic restructuring in tandem with growth model reform, improving the economy's productivity, quality, efficiency, and competitiveness; and developing the digital economy and digital society.

6. Vietnamese rubber producers benefit from higher prices in Q2

Higher prices, higher profits

In its second quarter results, Dong Phu Rubber JSC (DORUCO, DPR) posted a rise of 11 per cent in net revenue to VND218 billion (US\$9.5 million).

During the period, its consumption reached 2,431 tonnes, up 35 per cent, with the average selling price at VND45.9 million per tonne, up 50 per cent year-on-year. As a result, the company's profit after tax rose 41 per cent over the same period last year to over VND34.77 billion.

In the first six months of the year, DORUCO recorded net revenue of VND419.6 billion and profit after tax of VND86.3 billion, up 41 per cent and 66 per cent, respectively.

The positive business results helped boost DPR shares on the Ho Chi Minh Stock Exchange (HoSE). The company's shares were traded at VND60,400 yesterday, up 35.7 per cent compared to early April.

Similarly, Daklak Rubber JSC (DAKRUCO, DRG) witnessed net profit of more than VND32 billion in the second quarter due to higher rubber prices, while it lost VND26 billion in the same period last year.

In the first half of 2021, the rubber producer posted a net profit of nearly VND58 billion, while it had a net loss of nearly VND20 billion last year.

DRG shares are listed on UPCOM and traded at VND14,600 per share, up 19.7 per cent compared to the beginning of the year.

Tan Bien Rubber JSC (TABIRUCO, RTB)'s profit also jumped in the second quarter.

Accordingly, in its consolidated results, TABIRUCO reported profit after tax of more than VND84.1 billion, up 99.3 per cent year-on-year. In the first six months of the year, the company's profit after tax reached VND120.6 billion, 3.8 times higher than the same period in 2020.

RTB shares, which are also listed on UPCOM, rose by nearly 22.7 per cent compared to the beginning of the year to VND11,900 on Tuesday.

Lower production, improved demand

The Agency of Foreign Trade, under the Ministry of Industry and Trade, estimates that in the first six months of 2021, rubber exports will reach about 681,000 tonnes, worth \$1.15 billion, up 41.3 per cent in volume and 79.9 per cent in value compared to the same period last year.

Meanwhile, according to estimates from the Association of Natural Rubber Producing Countries (ANRPC), global rubber production in the first quarter of 2021 has dropped by 12.5 per cent year-on-year, but rubber consumption has climbed 15.7 per cent in the second quarter.

Total rubber consumption has recovered from the bottom as world economies, especially China, suffered from the outbreak of COVID-19 since the beginning of 2020.

Total global rubber production in the first half of 2021 reached 4.5 million tonnes, while total consumption was about 5.4 million tonnes. Therefore, the supplies are short by more than 800,000 tonnes.

The decline in total rubber production started since 2020, but the supply-demand gap widened in 2021.

Analysts from ACB Securities Ltd. (ACBS) said that some reports show that farmers neglected their rubber plantations due to falling prices over a long period of time, meaning plants were easily exposed to diseases.

About 65 per cent of natural rubber is produced in Southeast Asia. However, at present, some countries in this region such as Thailand and Malaysia have rubber trees that are hit hard by disease.

Countries such as Sri Lanka and India also have large areas of rubber trees affected by disease.

Faced with this situation, the Viet Nam Rubber Association has issued a warning to its members to be better prepared if the disease spreads to the country, especially for members with rubber plantations in Cambodia, which is geographically close to Thailand.

In fact, the development of rubber growing areas has been under pressure when rubber prices entered a bear market during 2013 - 2019.

In Indonesia, new industrial crop areas are dominated by oil palm trees, which have a shorter harvest time than rubber. There was a time when Thailand encouraged farmers to replace rubber trees with other crops due to prolonged low prices.

“The rubber market is experiencing a shortage of supplies in the first half of 2021. The tight supplies will continue through 2021 when the rainy season has started,” ACBS said.

Moreover, with the high correlation between the price of natural rubber and the price of Brent oil and butadiene, a raw material for synthetic rubber production, rubber prices may rise again as oil prices have remained high since the beginning of the year.

While ACBS believes that the second wave of COVID-19 in India, one of the largest rubber exporter in the world, since March will prevent rubber demand from growing too much in 2021, it expects rubber prices to surge 44 per cent this year.

This will have a positive impact on rubber producers, offsetting the decrease in output.

7. Over 20 Vietnamese basa fish exporters withdraw from EU market

The Viet Nam Association of Seafood Exporters and Producers (VASEP) said that Viet Nam's basa exports reached US\$788 million in the first half of the year, a year-on-year increase of 18 per cent.

While exports to the US and small-scale markets are experiencing strong growth, exports to the EU are continuously decreasing. The total value of basa exports to the EU reached US\$51 million as of last month, a year-on-year decrease of 21 per cent.

The export value of basa to the EU has declined for the past two years.

A representative of VASEP said that due to changes in the EU market, many basa exporters had turned to other markets. By the end of May, nearly 25 Vietnamese exporters had withdrawn from the EU market.

Talking to Tien Phong (Vanguard) newspaper, Truong Dinh Hoe, VASEP general secretary of the Viet Nam Association of Seafood Exporters and Producers, said that after the Viet Nam - EU Free Trade Agreement took effect, Vietnamese basa exports to this market enjoyed a preferential tax rate, down to only 0 per cent, opening up great opportunities for Viet Nam's basa industry.

In the EU, Viet Nam dominates the basa market and seems to have no competitors. Some countries like Bangladesh and China also export basa to the market, but the volume is lower.

Hoe said that entering this year, the retail market in the EU has begun to recover after a deep decline due to the impact of the coronavirus.

However, the food service industry, including restaurants and hotels in the EU, is recovering very slowly.

Meanwhile, importers are more cautious in their orders, especially since the outbreak of the coronavirus. EU consumers have started to change their consumption habits, and are more interested in safety, of which they were already very demanding.

Customers asked for higher quality products but offered lower prices. The requirements for food safety standards were very strict, and if the product was found to be non-compliant, it would be simultaneously reported and thoroughly inspected at the port of entry, he added.

This could take from two to three weeks, causing costs incurred to increase. EU customers are also increasingly demanding basa has a sustainability certification, according to Hoe.

Tran Dinh Luan, director general of the Directorate of Fisheries under the Ministry of Agriculture and Rural Development, said that to improve the value of basa exports to the EU market, businesses needed to invest in and improve processing capacity to meet safety standards and strict conditions from the EU.

At the same time, businesses also needed to operate actively and flexibly, reduce costs during operation, and increase adaptability and competitiveness in the context that the market will change due to the impact of the pandemic, he added.

Corporate News

8. HPG: Vietnam's Hoa Phat tightens grip as top Southeast Asia steelmaker

↑ 0.87%

"Demand for steel remains strong in Vietnam, and we have a lot of faith in this investment," Hoa Phat Chairman Tran Dinh Long said of the new furnace planned in Vietnam's central Quang Ngai Province.

The expansion comes as Vietnam accelerates efforts to increase domestic production of key industrial materials, with the pandemic and geopolitical tensions highlighting the risks of overdependence on Chinese shipments.

Founded in 1992 as a trading company for construction equipment, Hoa Phat entered steelmaking in 1996 and operated four blast furnaces at its integrated steelworks in Quang Ngai as of January.

The company produced roughly 2 million tons of crude steel in the January-March period. This was its first-ever quarter ahead of rival Formosa Ha Tinh Steel (FHS), which is based in Vietnam and counts Taiwan's Formosa Plastics Group and Japan's JFE Steel as investors.

Hoa Phat will add another 5.6 million tons to its annual capacity with its new blast furnace -- about 4.6 million tons in hot-rolled coil, used in construction and a wide range of other applications, and about 1 million tons in steel bars and wire rods. Overall, the company is expected to expand its annual crude steel capacity 70% by 2024 to about 14 million tons.

China Baowu Steel, the world's largest steelmaker, produced 115 million tons by comparison in 2020, according to the World Steel Association. Fifth-ranked Nippon Steel produced 41 million tons.

Hoa Phat's moves are driven partly by China curtailing its steel exports. A supply glut in the country, which makes nearly 60% of global crude steel, had flooded the Southeast Asian market with cheap Chinese products until several years ago. But Beijing is now imposing tougher environmental restrictions on its steelmakers,

giving Southeast Asian players like Hoa Phat room to expand.

This, combined with a global economic recovery from the coronavirus pandemic, provided a major boost to Vietnamese steelmakers. Rebar prices have jumped 40% to 50% in the last year.

Hoa Phat sold 1.8 million tons of construction steel in the January-June half, up 22% on the year. The company in 2021 targets a 33% increase in net profit to 18 trillion dong on a 31% rise in revenue to 120 trillion dong.

Vietnam is the largest producer and consumer of steel in the Association of Southeast Asian Nations, and its crude output increased 11% in 2020 to about 19.5 million tons. The figure has more than tripled in five years amid growing competition between locally owned players like Hoa Phat and FHS, which opened an integrated steelworks in Ha Tinh Province in 2017.

The Vietnamese government for years has strived for self-sufficiency in hot-rolled coil in particular, according to a source at a steel trading company. Vietnam's annual demand for the material, used to make a range of steel products, comes to roughly 12 million tons.

Hoa Phat began producing hot-rolled coil last fall, following in FHS's footsteps. But the country still depends on imports for about half its supply, much of it from China, making the Vietnamese market vulnerable to decisions by Beijing or leading Chinese players. Hoa Phat's new blast furnace has enough capacity to replace most of the imports.

"Steel is a core industry and plays an important role in industrialization," Vietnamese Industry and Trade Minister Nguyen Hong Dien told steel-industry representatives in May, signaling continued government support for the industry's development.

Increasing domestic output of key materials is also a national security priority, given bilateral

tensions over the South China Sea and other risks. Vietnam was forced to significantly reduce clothing production when the coronavirus squeezed textile shipments back in the spring of 2020. The government has since bolstered tax benefits and other incentives to support the textile industry at home.

Vietnam is working on a domestic supply of coronavirus vaccine as well, with Nanogen Pharmaceutical Biotechnology's shot in a Phase 3 trial. Just 4% of Vietnam's population of about 100 million has received at least one dose of a COVID-19 vaccine.

9. FRT: FPT Retail posted higher revenue for pharmacy and laptop retail businesses

↓ -3.18%

By the end of the first six months of 2021, FRT recorded an accumulated revenue of VND9.02 trillion (\$392.17 million), up 24 per cent on-year, accomplishing 55 per cent of the 2021 target. Of this, Long Chau pharmacy chain contributed a revenue of VND1.34 trillion (\$58.26 million), approximately three times higher than in the first half of 2020. Consolidated earnings before tax reached VND76 billion (\$3.3 million), 63 per cent of the full-year target.

Online sales in H1/2021 reached VND2.83 trillion (\$123 million), increasing 10 per cent on-year and accounting for 31 per cent of FPT Retail's total revenue. With the advantage of being the No.1 retailer in the laptop market and the increasing demand for laptops during the COVID-19 pandemic, the company's laptop sales in H1

reached VND1.33 trillion (\$57.83 million), up 31 per cent on-year.

In H1, FPTShop has opened 30 stores to reach a nationwide network of 625 stores. Meanwhile, Long Chau has signed 150 rental contracts, of which 68 stores have begun generating revenue, bringing the number of stores in operation to 268.

This year, FPT Retail's Board of Management set the target to achieve a net revenue of VND16.4 trillion (\$713 million) and profit of VND120 billion (\$5.2 million), up 12 and 320 per cent on-year, respectively. As for the Long Chau pharmacy chain, the company focuses on expanding its scope of operations, increasing market share, and providing drugs at competitive prices, so profit margin is not a top priority. The company expects this chain will incur decreasing losses in 2021 and 2022. It expects the chain to become profitable by 2023.

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