VIETNAM DAILY NEWS

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Market Analysis

1. Market inches lower, VN-Index loses 1%

The market ended lower yesterday as selling pressure dominated some attractive stocks in banking, real estate and material sectors.

The VN-Index lost 13.87 points, or 1 per cent, to close the trading day at 1,374,68 points. The market's breath turned negative with 204 stocks declining, while 148 stocks rose and 68 ended flat.

The liquidity was much lower than yesterday as nearly VND20.2 trillion (US$877 million) was poured into the southern bourse, equivalent to a trading volume of over 552.3 million shares.

The fall was due to losses of large-cap stocks which were weighed by selling pressure since the morning session opened. The 30 biggest stocks tracker on HoSE posted a drop of 1.14 per cent to 1,521.21 points. Twenty-one stocks in the VN30 basket fell while only seven stocks rose and two stayed flat.

On Ha Noi Stock Exchange (HNX), the HNX-Index also plunged 1.2 per cent to 315.98 points.

During the session, more than 140 million shares were traded on the northern market, worth nearly VND3.2 trillion.

Real estate stocks were still influencing the market's trend yesterday with No Va Land Investment Group Corporation (Novaland, NVL) losing the most, down 6.1 per cent.

It was followed by Vingroup JSC (VIC), Vietcombank (VCB) and Vinhomes JSC (VHM). All these stocks fell in a range of 1.7 - 2.63 per cent.

Other stocks posting losses of more than 1 per cent included Hoa Phat Group (HPG), Vietinbank (CTG), VPBank (VPB), Vietnam Dairy Products JSC (Vinamilk, VNM), Vietnam Rubber Group (GVR), Vincom Retail JSC (VRE) and Vietjet Aviation JSC (VJC).

The market pared losses on gains in some large-cap stocks like Masan Group (MSN), up 3.28 per cent, PetroVietnam Gas JSC (PVGas, GAS), up 1.64 per cent, Mobile World Investment Corporation (MWG), up 4.04 per cent, and Vietnam International Commercial Joint Stock Bank (VIB), up 3.21 per cent.

With the market's current moves, analysts from Saigon - Hanoi Securities JSC (SHS) recommended investors watch and see more in the next sessions to find the right direction.

"Investors who sold for profits last week should not take long positions at this moment and wait until the market corrects deeper to jump in. Meanwhile, investors with large stock proportion in their portfolios also should not take more long positions and reduce the stock proportion during the week's rallies," SHS said in a daily report to customers.

On the other hand, foreign investors fled the market again as they net sold a total value of VND258.45 billion on both exchanges. Of which, they net sold a value of VND238.52 billion on HoSE and a value of VND19.93 billion on HNX.

Macro & Policies

2. Vietnam among top regional expansion destinations for ASEAN companies

The majority of ASEAN companies focusing on intra-regional opportunities expect robust business growth in the region over the next 12 months (99 per cent of respondents expect growth in production and 96 per cent anticipate growth in revenue). This is according to a survey commissioned by Standard Chartered for its "“Borderless Business: Intra-ASEAN Corridor”, a strategic report that explores high-potential opportunities for cross-border growth within the region.

Access to the large and growing ASEAN consumer market (69 per cent), access to a global market enabled by a network of free trade agreements (59 per cent), and availability of abundant and skilled workforce (49 per cent) were among the most important drivers for expansion across the region, according to the senior executives of the surveyed ASEAN companies.

In addition, with the Regional Comprehensive Economic Partnership (RCEP) expected to attract more investment into ASEAN, all respondents said that they are planning to increase their investments over the next 3-5 years.

In terms of target markets within ASEAN, 80 per cent of the surveyed respondents are focusing on expanding in Singapore to capture sales and production opportunities, followed by Thailand (60 per cent) and Vietnam (59 per cent). As ASEAN companies look to invest across the region, Singapore is considered the most desirable market for companies to set up sales and marketing, corporate functions regional headquarters (79 per cent), and their regional R&D/innovation centres (73 per cent).

The survey also shows companies recognising a wide range of risks in the region. The top three identified risks are the COVID-19 pandemic or other health crises (75 per cent), geopolitical uncertainty and trade conflicts (60 per cent), and the slow revival of the economy and the drop in consumer spending (49 per cent). Furthermore, the respondents also agreed that adapting their business model to industry practices and conditions within ASEAN (67 per cent), building relationships with suppliers and adapting supply chain logistics (66 per cent), as well as understanding regional regulations, payment methods, and infrastructure (53 per cent) are the most significant challenges they anticipate in the next 6-12 months.

To drive resilient and rebalanced growth in ASEAN and to mitigate these risks and challenges, the surveyed executives identified entering new partnerships and joint ventures to increase market presence (53 per cent), driving sustainability and environmental, social, and governance (ESG) initiatives (53 per cent) and executing digital transformation programmes (52 per cent) as the most important areas for their companies to focus on. To support their growth, these companies say they are seeking banking partners with strong cash management capabilities (52 per cent), one-stop corporate financing and capital-raising services (52 per cent), and extensive trade financing services (47 per cent).

Heidi Toribio, regional co-head, Client Coverage, Asia, Corporate, Commercial and Institutional Banking, Standard Chartered, said: “ASEAN is core to Standard Chartered's business strategy. As the only international bank with full presence in all 10 markets in the region, we believe we play a critical role in enabling our clients to seamlessly trade and invest across the 10-nation bloc. The findings of this report clearly validate the trends we are observing among our clients and we continue to invest in our capabilities to meet their evolving needs.”

Michele Wee, CEO, Standard Chartered Vietnam, said: “Vietnam continues to offer appealing business and investment opportunities given its strong fundamentals – robust economic growth, a sizeable domestic market, low labour costs, an abundant workforce, free trade agreements, and strategic location. As an international bank with 117 years of history in Vietnam, Standard Chartered has deep local knowledge to support internationalising companies' cross-border growth aspiration and provide them with the right solutions that meet their financing and operational needs.”

3. HSBC cuts growth forecast for Vietnam

Vietnam was going through its fourth and worst Covid-19 outbreak since the start of the pandemic, the bank said in a report.

The services sector had been bearing its economic brunt, contributing only 20 percent to growth in the second quarter compared to 45 percent before the pandemic.

Domestic demand had become bumpy, with retail sales in the second quarter being the lowest since the national lockdown in the second quarter last year.

Unemployment ticked up from 2.4 percent in the first quarter of this year to 2.6 percent in the second, with the total number of jobs reducing by 65,000.

"Emerging markets like Vietnam will likely wait for a long time to see a meaningful pick-up in domestic consumption until the job market achieves a fuller and sustained recovery."

With nearly 20,000 cases confirmed in the latest outbreak, the drag on the economy would persist at least through the third quarter.

But resilience in manufacturing and exports had supported growth. Exports rose 33 percent year-on-year in the second quarter as Vietnam still reaped the benefits of elevated demand for pandemic-related products, including electronics and machinery.

"Despite immediate Covid-19 challenges, we remain optimistic about Vietnam's economic recovery," the report said.

Vietnam had made progress in accelerating vaccine procurement, and would receive 62.4 million doses to immunize 30 percent of its population by the end of next year, it said.

Inflation was expected to average 2.8 percent this year, providing flexibility for the central bank to remain on hold in 2021, it added.

GDP grew by 5.64 percent in the first half this year, triple the rate in the comparable period last year.

4. Vietnamese aviation market forecast to recover from mid-Q3

The Vietnamese aviation market is predicted to begin recovering by the middle of the third quarter with this year's total estimated capacity of over 70 million passengers.

According to Dinh Viet Thang, director of the Civil Aviation Authority of Vietnam (CAAV), when the COVID-19 vaccination process had been accelerated in Vietnam and around the world in general, the Vietnamese aviation market is likely to recover.

Up-and-down period of aviation industry

According to a report by the CAAV, the COVID-19 pandemic has brought a tumultuous period to the world aviation industry.

The world aviation industry was estimated to have suffered a dramatic 60 percent drop in the number of passengers over 2020, equivalent to about 2.89 billion passengers, with a revenue deficit of 327 billion USD, of which the Asia-Pacific region recorded the strongest fall of 107 billion USD, the report said.

For the Vietnamese aviation market, 2020 was a challenging time for the aviation industry due to the outbreak of the COVID-19 pandemic. The order restricting flights and social distancing to prevent the spread of the virus had caused many international routes to be suspended, the report said.

In 2021, Vietnam's aviation market has continued to face challenges as the pandemic is still ravaging.

At present, there are only 30 foreign airlines from Northeast Asia, Southeast Asia, Middle East and France operating flights to transport diplomats, experts, investors, skilled workers, foreign students and cargo to and from Vietnam, the report said.

Thus, domestic airlines had already used most of their fleets to operate domestic routes with skyrocketing capacity in both frequency and number of routes, the report said.

Accordingly, the number of routes of domestic airlines had reached 62, an increase of 10 routes compared to 2019.

However, since May 31, domestic passenger transport by air had dropped seriously to only 20-30 percent compared to the March-April period this year.

Due to the inactivity of many aircraft, parking space has been overloaded at Noi Bai International Airport in Hanoi and Tan Son Nhat International Airport in HCM City.

The CAAV had to adjust the operating schedule so the aircraft could park overnight at other airports, the report said.

After international flight operations are gradually restored, 20-30 percent of fleets of domestic airlines would no longer stay overnight at the airports because international flights to Europe and Northeast Asia would be run overnight, Thang said.

Aviation sector to begin recovering in mid-Q3

Statistics of the CAAV show that 26.8 million of passengers and 668,000 tonnes of goods passed through Vietnam's airports in the first six months of 2021, down 19.4 percent, and up 12.7 percent year-on-year, respectively.

It is forecast that the aviation sector will record recovery in 2021, especially in the second half when vaccinations against COVID-19 are accelerated in Vietnam in particular and the world in general.

Thang said many key markets of Vietnam's aviation sector, including Northeast Asia and Europe, could achieve herd immunity soon as a basis for gradually reopening international air transport by the end of the third quarter or at the beginning of the fourth quarter of this year.

Regarding airport infrastructure, the CAAV reported that the aviation industry has completed on schedule and put into operation the first phase of a project to improve runways at Noi Bai and Tan Son Nhat International Airports.

The second phase of the project to upgrade the runway 1B at Noi Bai International Airport is also being urgently implemented and is expected to be completed in July 2021. The project is hoped to promptly meet the demand for re-operation of airlines after the 4th wave of COVID-19 outbreaks.

5. Over 140,000 new stock trading accounts opened in June

Data compiled by the Vietnam Securities Depository Centre (VSD) shows that the number of new accounts opened in June reached a new historical high of 140,470. This is the fourth consecutive month that the figure is above the 100,000 threshold, Bao Viet Securities (BVSC) commented.

The large majority (140,054) of these new accounts were opened by domestic individual investors. The number of new accounts opened by domestic institutional investors also increased for the third consecutive month, reaching 139 new accounts.

"However, the number of openings by foreign investors has decreased. Foreign individual investors only opened 280 new accounts, against the 423 in May, while the number of accounts closed by foreign organisations outnumbered newly opened ones. Specifically, there were 25 new accounts and 28 recently closed accounts," BVSC said.

The number of new accounts remained high in June, showing the excitement of the domestic stock market.

Earlier this week, the new infrastructure developed by FPT was officially implemented at the Ho Chi Minh City Stock Exchange.

The adoption of the trading system of the Korean Exchange is also set to take place between June 14 and August 6, with the official launch expected in the third or fourth quarter of this year.

6. U.S. Considers Whether to Take Step Toward Tariffs on Vietnam

President Joe Biden's administration plans a meeting on the topic as soon as Wednesday, according to people familiar with the matter, who asked not to be identified because the discussions are private. Participants will include officials from the Treasury Department, the U.S. Trade Representative's office, Commerce Department and National Security Council, they said.

The planning comes ahead of an October deadline, one year following the start of a government probe, for the U.S. to impose tariffs under section 301 of the 1974 Trade Act.

During the closing days of President Donald Trump's administration in January, the U.S. labeled Vietnam's currency actions unreasonable and restrictive to American businesses, but refrained from hitting the nation with punitive tariffs.

The trade investigation remains open, however, and if the U.S. decides to formally propose levies on goods imported from Vietnam, it would need to allow time for public comments and hearings. That means that the initial step of publishing a proposed product list would need to happen in the next several weeks, according to trade experts.

Adam Hodge, a spokesman for USTR, declined to comment beyond saying that the agency's probe of Vietnam's currency practices is ongoing. A Treasury spokeswoman declined to comment. The Commerce Department, the National Security Council and Vietnam's Ministry of Foreign Affairs didn't respond to requests for comment.

The Biden administration has so far taken a softer approach on currency issues than its predecessor. In December, Trump's Treasury Department separately tagged Vietnam, along with Switzerland, with the currency-manipulator label. Then Biden's Treasury in April dropped the designation, even as Vietnam, Switzerland and Taiwan met thresholds for the label.

The Treasury said there was “insufficient evidence” to conclude that the three trading partners showed the intent of “preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade” to apply the tag.

Also, the April report said that the U.S. Treasury early this year “commenced enhanced bilateral engagement with Vietnam,” including helping the Vietnamese government create a plan to address its undervalued currency and external surpluses. The U.S. is still applying pressure on Vietnam to allow the dong to appreciate, according to people familiar with the matter.

Vietnam's central bank has maintained it doesn't use the exchange rate to create an unfair competitive advantage in international trade. The Southeast Asian nation's wood industry has also vowed to tighten regulations and buy more American lumber to avoid punitive tariffs.

The U.S. is Vietnam's biggest export market, with the value of shipments doubling over the past five years. But the Southeast Asian country has seen a widening trade deficit with the U.S. that made it a target for Trump; this year it has the third-largest merchandise gap with America behind China and Mexico.

Any punitive tariffs would risk straining relations between the budding security partners, which have strengthened ties in recent years to counter China's growing economic and military might. In 2016 the U.S. lifted a longstanding ban on lethal arms sales to Vietnam, and the two countries have taken a common stance on opposing China's expansive territorial claims in the South China Sea.

The Trump administration had also used a so-called 301 investigation against China to apply tariffs on billions of dollars worth of imports that initiated the trade war between the world's two biggest economies.

7. Construction materials at risk of oversupply

Offering discount to reduce inventory

Cement, tiles, and construction glass are three products that the Ministry of Construction listed on the red alert category because of oversupply. Up to now, the total number of cement production lines has reached 85, with a total production capacity of over 100 million tons per year, whereas domestic consumption is only 62 million tons per year.

According to the Vietnam Cement Association (VNCA), the domestic consumption market has slowed down, making the competition among domestic enterprises increasingly tense. Meanwhile, although export activities are favorable, they are unsustainable, and the efficiency reduces. For instance, in 2018, cement exports reached 31.6 million tons but only earned nearly US$1.25 billion, and the average unit price was less than $40 per ton. In 2020, cement exports hit 38 million tons, but export prices even decreased, merely at $37 per ton.

Currently, China and the Philippines are the main consumption markets of the domestic cement industry. However, it is risky when depending too much on these two markets because when they adjust their import volume, cement manufacturers will be unable to handle the situation. Not to mention that many Chinese and Thai enterprises are studying Vietnam's cement industry with the desire to contribute a certain percentage of capital to private companies to facilitate the export of cement to their countries.

The fate of the construction glass industry is also gloomy, with an excess supply of about 80 million square meters. Specifically, the production of construction glass reached about 280 million square meters last year, but the consumption of flat glass was only 200 million square meters. Currently, some glass manufacturing enterprises have had to suspend production on some lines.

Similarly, as for ceramic tiles, by the end of last year, there were 83 factories across the country, with a total capacity of about 826 million square meters per year. Nevertheless, they produced only 560 million square meters and consumed 465 million square meters. The excess of hundreds of millions of square meters has forced enterprises to find ways to sell their products, leading to cutthroat competition. The report of CMC Joint Stock Company, an enterprise specializing in producing construction materials, shows that its revenue and profit reduced by 14 percent and 26.7 percent last year, respectively, compared to 2019.

"Besides the pandemic, oversupply has caused price competition to happen fiercely. Factories have vied each other to lower prices to cut losses to reduce inventories, leading to poor business results," a representative of the Sales Department of CMC Company said.

Tightening rampant investment

The ceramic tile industry is also facing difficulties right on home ground when foreign products enter the domestic market heavily, without being strictly controlled in terms of quality and price.

According to the Vietnam Building Ceramic Association, currently, Vietnamese ceramic products exported to countries in the ASEAN must apply for a sublicense to certify the quality in each country, while it does not require certification for goods from other countries to enter the Vietnamese market.

For example, at present, China and India are the two leading ceramic tile manufacturers in the world, with the ability to supply nearly 80 percent of the world's output. Manufacturers in these two countries, especially from China, always find ways to push goods to Vietnam, even resorting to tax evasion and commercial fraud. For many years, Chinese ceramic tiles have accounted for 20-25 percent of the Vietnamese market with extremely low prices, causing domestic products to struggle.

According to the Vietnam Construction Material Development Strategy for the period of 2021-2030, with a vision to 2050, the total investment capacity of all these three products has approached the target of 2025. Amid this situation, enterprises have had to compete at all costs to sell their products, leading to low business efficiency.

Therefore, according to many experts, ministries and agencies need to consider carefully when continuing to license investment projects relating to the production of these three construction materials. For the domestic market, the investment and development of construction materials, cement, ceramic tiles, and construction glass industries must strictly comply with the investment policy following the Vietnam Construction Material Development Strategy to avoid the situation in which supply continues to far outstrip demand.

At a recent meeting, Deputy Minister of Construction Nguyen Van Sinh said that with the current situation of the cement, ceramic tiles, and construction glass industries, localities need to consider carefully when they approve the investment policy for production projects to avoid rampant investment, leading to oversupply and waste of social resources. Especially for the cement sector, it is essential to comply with Directive No.38/CT-TTg dated September 29, 2020, by the Prime Minister, to limit the investment in the expansion and capacity increase of cement projects in large cities, densely populated areas, landscaped areas, and the natural environment that need protecting.

"Localities must seriously consult with State management agencies on construction materials before approving investment policies for production projects," Deputy Minister of Construction Nguyen Van Sinh emphasized.

Corporate News

8. NVL: Novaland raises $300 million with international convertible bonds on Singapore Exchange

↓ -6.10%

With a maturity of five years and fixed coupon rate of 5.25 per cent a year, the bonds are convertible into common Novaland shares. The conversion price is VND135,700 ($5.90) per share – 15 per cent higher than the closing price of the company's shares at the launching date (July 7). The denomination of each bond is $200,000 in principal amount.

Credit Suisse (Singapore) Ltd. is the sole global coordinator and sole bookrunner for this transaction.

The issuance received great interest from reputable international investors. The order book was multiple times oversubscribed relative to the deal size of $300 million.

According to Novaland, the capital raised from this issuance will be allocated to landbank acquisition and project development to achieve its 3-year earnings target. Additionally, the success of this transaction will strengthen the company's debt profile with the dominance of mid- and long-term borrowings.

Given the COVID-19 complications in Vietnam and the world, Novaland's successful mobilisation of $300 million from the international capital market demonstrates the strong conviction of international investors in the capability and outstanding prospects of the group.

Previously, the group had issued $240 million of international convertible bonds listed on the Singapore Exchange in April 2018 and December 2018.

9. MBB: MB makes impressive breakthrough in first half

↑ 0.00%

The stock of MB raised by 4 per cent last week to peak at VND43,450 ($1.89) on June 30, a rise of 90 per cent over the VND22,700 (99 US cents) on January 1. This stellar rise is underpinned by four core factors.

Amid low interest rates and high economic growth, banking stocks are major winners. Thanks to high credit growth combined with low funding costs, banks' net interest margin (NIM) is forecast to improve this year as profits will soar.

Outstanding business results

In 2021, MB targets to gain VND13.2 trillion ($573.9 million) in consolidated profit, up 20 per cent on-year, with total assets and credit growing 11 per cent and bad debt ratio controlled below 1.5 per cent.

In the first quarter of 2021, MB reported VND4.58 trillion ($199.13 million) in pre-tax profit, doubling on-year and reaching 35 per cent of the yearly plan. Of this, the profit from banking activities (not including insurance, or added-value services) was also more than twice as high as in the same period in the year prior, reaching VND4.1 trillion ($178.26 million).

These results speak of standout performance, with return on assets (ROA) standing at 2.71 per cent (it was 1.59 per cent in the same period last year) and return on equity (ROE) at 27.24 per cent (against 16.09 per cent). The bank's bad debts ratio decreased by 33 points. Current account savings account (CASA) has risen 3.8 points on-year to 36.9 per cent, one of the best figures in the sector. New account openings at MB soared sharply thanks to attractive campaigns.

In a report for the second quarter released on July 5, SSI Securities Corporation estimated MB's pre-tax profit in the second quarter at VND4-4.5 trillion ($173.9-195.65 million), a rise of 37-50 per cent on-year, thanks to credit and deposit growth at the parent bank reaching 10 and 6 per cent as of the end of May compared to early 2021. Meanwhile, bad debts are being controlled (under 1 per cent at the parent bank) and NIM is increasing.

Business strategy for 2021

2021 is the closing year of MB's 2017-2021 strategy and would set the tone for the next five years.

In order to make quick and steady progress in digital transformation and improve service quality, this year, MB is making continuous investments in the comprehensive digitalisation of all activities like business, operations, as well as risk and human resources management. This improves labour productivity and reduces costs.

At present, MB is developing in Hanoi and the northern provinces, however, the bank is also building an office in Ho Chi Minh City to improve its brand identity and growth in the south.

Next week (July 13), MB will fix the list of shareholders for dividend payment by shares at the rate of 35 per cent. After the payment, MB's charter capital will raise to VND38.6 trillion ($1.7 billion) from VND27.987 trillion ($1.2 billion), rising to second place in the banking industry in terms of charter capital.

Vietinbank is going to raise charter capital to VND48 trillion ($2.1 billion) soon. While Vietcombank is planning to raise to VND50 trillion ($2.2 billion) from VND37.039 trillion ($1.6 billion). Techcombank's charter capital is VND35 trillion ($1.5 billion) and has no plan for an outstanding rise this year

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

Disclaimer:

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