



VIETNAM DAILY NEWS

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Table of content

Table of content

1. Shares to advance with alternative ups and downs
2. Enterprises allowed to decide production models during pandemic
3. Hospitality sector seeks ways to maintain operation amid pandemic
4. Commercial banks directed to aid rice industry amid pandemic
5. Central province warns of petrol surplus, calls for import cuts
6. Gov't to roll out US\$5.2 billion COVID-19 relief package
7. Concerted efforts needed to ease barriers to Vietnam-China agricultural trade
8. VPB: VPBank to become Vietnam's largest lender by charter capital next year
9. ADS: ADS plans to issue 10 million shares at only 1/3 of the market price

Market Analysis

1. Shares to advance with alternative ups and downs

Securities companies are optimistic about stock market movements this week and are betting the positive trend will continue but the market will witness alternative ups and downs during its uptrend.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) increased by 0.3 per cent to close last week at 1,357.05 points. The index gained a total of 1.16 per cent last week.

An average of 739.5 million shares was traded on the southern exchange during each session last week, worth VND23.9 trillion (US\$1 billion).

According to SSI Securities Joint Stock Company (SSI), the VN-Index had recovered from the support area of 1,352 - 1,340 points, along with an increase in trading volume. The index had returned to the uptrend.

“However, the market is likely to face difficulties at 1,370 points in the short term as profit-taking pressure is increasing. Fluctuations are expected to appear more often when the index enters this zone. BOS recommends investors prioritise market observation and maintain their current portfolio,” BOS Securities said.

“The stock market had a dramatic reversal in the last minutes of the session. Many stocks rose again when the cash flow entered the market robustly and decisively,” Viet Dragon said in last Friday’s market report.

“The VN-Index got support and reversed back to gaining thanks to a strong cash inflow that can match the profit-taking pressure. It is expected that the VN-Index will continue to recover and will approach the resistance zone of 1,370 points,” it said.

“The effective containment of the COVID-19 pandemic and proper monetary and fiscal policies will be important supportive elements for the market in this period,” said Nguyen Anh Khoa, Head of Analysis and Investment Consulting

Department of Agriseco Securities.

“Although some provinces in Viet Nam are experiencing increasingly strict social distancing measures, the economy continues to show resilience, underpinned by the strength of demand both at home and abroad,” said Anand Pathmakanthan, Head of Regional Equity Research at Maybank Kim Eng Securities Limited.

“This wave of the disease may gradually subside from September, thanks to strict containment measures and accelerated vaccination that will help put the country back on a more solid growth trajectory, with supply chain repositioning being a key long-term driver,” he told a recent online meeting held by Maybank Kim Eng.

“The VN-Index had a third consecutive week of recovery last week with increased liquidity compared to the previous week and higher than the 20-week average,” said Saigon-Hanoi Securities Joint Stock Company (SHS).

“Foreign investors turned to be net sellers last week with more than VND2.2 trillion on both exchanges, which also put pressure on the market,” it said.

Industrial stocks gained the most last week with stocks such as Vinaconex (VCG) increasing by 5.2 per cent, Geleximco (GEX) rising by 5.4 per cent, and Hai Phong Port Joint Stock Company (PHP) gaining by 27.5 per cent.

They were followed by materials stocks such as Hoa Phat Group (HPG) increasing by 0.5 per cent, Nam Kim Group (NKG) rising by 3.6 per cent, Petro Viet Nam Ca Mau Fertiliser JSC (DCM) increasing by 10.6 per cent, and PetroVietnam Fertiliser & Chemicals Corp (DPM) increasing by 19.8 per cent.

The remaining groups all had slight increases such as financial services, community utilities, oil and gas, banking and consumer services, pharmaceutical and healthcare.

Macro & Policies

2. Enterprises allowed to decide production models during pandemic

The ministry on August 12 sent a document on Covid-19 infection prevention and control at production and business units to localities, the local media reported.

Accordingly, enterprises can take the initiative to deploy anti-pandemic measures while maintaining their normal operations.

The ministry asked the governments of cities and provinces to instruct enterprises to develop anti-pandemic plans in line with the situation in their localities and the directives of the national steering committee for Covid-19 infection prevention and control and the Ministry of Health.

Local authorities must also inspect and supervise the development of the plan and its implementation but must avoid an overlap in inspection.

The city/provincial Departments of Health must conduct regular testing for at least 20% of workers of enterprises reporting no Covid cases and at least half of the employees of firms which have had Covid cases.

According to the Ministry of Health, some northern provinces, such as Bac Giang and Bac Ninh, have successfully applied the stay-at-work mode. However, the mode has not proved effective in some southern provinces.

At a press briefing after the regular Cabinet meeting on August 11, Deputy Minister of Industry and Trade Do Thang Hai also admitted that the solution was not effective in the south and should be applied for a short period only.

In addition, the number of workers in industrial parks in Bac Ninh and Bac Giang is not too high, while enterprises in the south have thousands to tens of thousands of workers each. They come from many other parts of the country, so it is hard to ask them to stay at their factories after work for a long time.

Moreover, the cost of letting workers stay at factories after work is high, so some enterprises can afford seven to 20 days.

Therefore, many enterprises have proposed allowing workers to travel between work and home.

3. Hospitality sector seeks ways to maintain operation amid pandemic

As Ho Chi Minh City grapples with the COVID-19 outbreak, hotels have actively adapted to the situation by offering paid quarantine services to maintain their operation.

A report of Savills Vietnam Co. Ltd published recently showed that the business of the hospitality sector has improved with more and more hotels registering to serve as paid quarantine facilities, prompted by increasing demand for concentrated isolation from foreign arrivals and domestic travellers.

It is estimated that eight more hotels began offering the service in the second quarter of this year, providing 3,000 rooms.

The city's Department of Tourism (DoT) has coordinated with the Department of Health to propose the municipal People's Committee to allow paid quarantine at 72 hotels, equivalent to 5,564 rooms.

It has also worked with the People's Committee of Thu Duc city and other districts to mobilise 395 hotels for the isolation of F1 cases with 13,426 rooms in total.

The DoT has regularly updated the list and information of hotels designated as paid quarantine facilities so people at high risk of COVID-19 can book online at the department's website.

Recently, the department has coordinated with Traveloka, a leading hotel and flight booking

platform in Southeast Asia, to help those in need book rooms or transportation via the mobile travel booking app Traveloka. They can easily search for information on hotels designated as paid quarantine facilities, room types, room rates as well as transportation services for quarantined people. After booking, they can make online payments.

The pandemic has restricted the traveling between countries and the tourism industry is almost dependent on domestic tourists. However, the tourism market is still expected to recover with high tourism demand when the COVID-19 is under control, experts said.

They said the post-pandemic outlook of the hotel industry is still promising with the participation of many well-known international operating brands.

According to real estate consulting firms, it is expected that by the end of 2023, HCM City will have an additional 2,500 hotel rooms from well-known brands such as Fusion, Hilton and InterContinental.

The World Tourism Organisation (UNWTO) has predicted that global tourism can fully recover by

2024, in which herd immunity is considered a key factor.

Vietnam is trying to achieve herd immunity with 70 percent of the population vaccinated by the end of this year or early 2022. The application of vaccination passport in some countries around the world is also an important step to revitalise the smokeless industry as soon as the pandemic ends.

Vo Thi Khanh Trang, Deputy Director of Savills Research Department, said that the fluctuations of the tourism industry in general and the accommodation service business in particular depend on the government's pandemic control.

It can be seen that the demand for traveling and accommodation of domestic tourists is very large when the pandemic is under control, she said, adding that it's very difficult to forecast about the tourism sector this year because the country is coping with the fourth wave of COVID-19.

However, in the long term, the speeding up of vaccination against COVID-19 has been identified by Vietnam as well as other countries in the world as a key strategy to control the pandemic and opening its borders to the world, Trang said.

4. Commercial banks directed to aid rice industry amid pandemic

The latest outbreak of the pandemic has negatively affected the paddy and rice supply chain, from production and distribution to consumption and export, especially in the Mekong Delta region.

Under Document No 5747/NHNN-TD issued earlier this week, commercial banks must ensure they fully and promptly meet capital needs and expand credit limits for rice traders so they have enough capital to purchase more paddy and rice, and increase their storage, preservation and processing establishments.

Banks also need to step up reforms and simplify their internal procedures to shorten the loan approval time besides diversifying appropriate credit products and working directly with rice traders and businesses to have effective solutions to overcome difficulties.

However, the SBV noted, the lending must still meet the Government's current credit rules to ensure legal cash flow management and debt recovery.

It is necessary to continually promote the implementation of credit policies for agricultural and rural development, of which focus is placed on lending to models of chains from paddy and rice production to purchasing, processing, preservation and consumption, according to the SBV.

Banks need to continually implement solutions, such as restructuring repayment terms, keeping the debt group unchanged, exempting and reducing interest and fees for loans, to remove difficulties for COVID-19-affected customers, including rice producers and traders, to help them restore production and business.

They must follow closely the rice market's developments and lending to purchase and

temporarily store paddy and rice in the area to promptly report and propose solutions to the provincial and municipal People's committees during the implementation.

According to Do Hoai Nam, Chairman and General Director of Intimex Group, complicated developments of the COVID-19 pandemic have made it difficult for rice trading. Rice traders are facing obstacles due to social distancing measures, especially in the stage of loading and unloading, causing big problems for exporters.

Nam underlined the significance of promptly controlling COVID-19 as well as faster vaccinations for workers in food producing and processing companies.

The Viet Nam Food Association also said due to pandemic prevention and control regulations, it is difficult for domestic companies to buy, process and export rice. Meanwhile, the opportunity is high for Viet Nam to increase exports as global demand is rising and supplies are falling, especially from big exporters like India and Thailand.

Rice supply chain faces risk of disruption

The Ministry of Agriculture and Rural Development said more than 1.5 million hectares of rice in the Mekong Delta with eight million tonnes are ready for harvest, but there are no traders to buy the grain.

Farmers in the south are unable to sell their produce while consumers are struggling to buy food, a frustrating paradox created by COVID-19 travel restrictions and the closure of both wholesale and retail markets.

The threat of disruption in the supply means prices have fallen by 10-25 per cent from a month ago, or VND500-800 per kilogramme.

However, farmers still cannot sell their rice.

Tran Van Nam of Can Tho City said he has just harvested around 20 tonnes of high-quality rice. Two months before the harvest, a trader came and deposited VND9 million for his rice and agreed to buy at VND6,000 a kilogramme, but since social distancing began and transportation has become very difficult, the trader has opted to forfeit deposit and prices have started to fall relentlessly.

Nguyen Van Kien, a large rice trader in Can Tho, said many traders have chosen to forego deposit rather than buy the rice at the committed prices since that would increase their losses.

"In previous years in the summer-autumn rice crop I used to buy 50,000-60,000 tonnes of rice from farmers in Hau Giang, An Giang, Bac Lieu, and Kien Giang provinces, but this year I bought only 5,000 tonnes because I cannot transport it to large markets like HCM City."

He has 100 employees buying rice from throughout the delta, and they all have to carry COVID-19 negative test results that are only valid for three days while the procurement takes them one to two weeks, he said.

The Viet Nam Food Association said since social distancing began, half of the 120 rice enterprises in the delta have suspended operations and the rest have reduced their capacity by half.

To resolve these problems, the Vietnam Food Association calls for the Ministry of Industry and Trade and other related ministries to create favourable conditions for traders to buy and distribute rice by prioritising for vehicles rice transporting the grain and vaccinating workers in the rice and food supply chains.

5. Central province warns of petrol surplus, calls for import cuts

The People's Committee of Quang Ngai Province, home to the Binh Son Refinery and Petrochemical Joint Stock Company (BSR), one of the country's largest petrochemical enterprises and the province's key economic lifeline, has reported to the Prime Minister's Office that the country should

prioritise the use of gasoline and diesel oil from domestic suppliers and reduce imports in light of crumbling demand during the pandemic.

The central province's report to the Government said as the country attempts to contain the novel

coronavirus in its fourth outbreak (since late April) major cities and towns across the country including the capital city of Ha Noi and the southern largest economic hub HCM City, have one after another, gone into lockdown. This has sent domestic demand for gas and oil nose-diving at least until the end of the year.

The sudden fall in demand has made traders stop buying gas and oil. In July alone, deliveries for some 230,000cu.m of gas and oil have been either delayed or cancelled, which has caused BSR's inventories to balloon rapidly within a short period of time. As of now, the refinery is holding onto over 200,000cu.m, or 1.2 million barrels, of petrol products and nearly 400,000cu.m, or 2.4 million barrels, of crude oil.

To make matter worse, deliveries for August have also been forecast to drop by 40-50 per cent as many traders have not made plans with BSR for their purchases.

Since August 3, the refinery has been forced to operate at 90 per cent capacity, its minimum technical efficiency. BSR has also been forced to send 25,000cu.m of gasoline into storage and

expected to make room for another 100,000-120,000cu.m of products in August. This, however, only offered a temporary measure as storage space has been snatched up fast. Once it runs out of storage, the refinery will have no choice but to shutter operations, which will incur huge costs for the enterprise, said the report.

Another refinery, the Nghi Son Refinery in Thanh Hoa Province, has been reportedly dealing with the same problem.

Meanwhile, the country's import of petroleum products still remained high, making it even more difficult for domestic refineries to find a way out. Viet Nam likely will find itself with a large surplus in supply in the coming months across all of its cities and provinces, said the report.

BSR, however, has been reportedly doing well during the first six months of the year. The refinery reported net revenue of VND27.8 trillion (US\$1.2 billion) during the second quarter of 2021, and after-tax profit of VND1.7 trillion, despite rising operational costs across the board, a stark contrast to performance during the same period last year when BSR reported VND1.9 trillion in losses.

6. Gov't to roll out US\$5.2 billion COVID-19 relief package

The package's main targets are businesses that have been affected by the pandemic. If qualified, they would be eligible for tax cuts, reduction in land use fees and delays for other payments. Industries that have been severely affected by the pandemic such as tourism and transport may look forward to VAT tax exemptions on top of other support measures. Another relief package worth up to VND20 trillion is being considered to help businesses facing extraordinary difficulties.

Notably, the ministry has proposed the Government slash taxes and fees by half for small-to-medium-sized businesses and businesses with annual sales under VND200 billion.

"The Ministry of Finance has been gathering opinions and feedback from other ministries and Governmental agencies regarding the packages. Once completed, a proposal will be presented in the earliest working session of the National Assembly Standing Committee for review," said Chi.

Meanwhile, major commercial banks with the State as a shareholder including Vietinbank, Vietcombank, BIDV and Agribank have agreed to cut interest rates in the amount of VND4 trillion. The banks said they will further reduce another VND4 trillion in interest rates for businesses in HCM City and southern Binh Duong Province, and certain provinces that have been put under lockdown since late May. In addition, all banking services for said localities will be provided free of charge.

Dao Minh Tu, deputy governor of the State Bank of Vietnam (SBV), said the SBV has instructed commercial banks to adjust interest rates since the beginning of the pandemic. Interest rates for business loans have declined by 1.2-1.5 per cent on average during last year. During the first seven months of 2021, banks have further slashed their interest rates by 0.5 per cent.

As the country fights to contain the virus. The SBV has asked banks to cut back on their own expenses

to ensure they have more resources dedicated to supporting businesses. The Vietnam Banks Association and its 16 members have pledged to reduce interest rates for business in the amount of VND20.5 trillion by the end of the year, Tu said.

"The SBV's top priority is for businesses to receive all the support they require to mount a comeback once the pandemic is under control," he said. The SBV also said it will keep an eye on the banks to make sure they will make good on their pledges.

7. Concerted efforts needed to ease barriers to Vietnam-China agricultural trade

Deputy Minister of Agriculture and Rural Development Phung Duc Tien has asked for concerted efforts by Vietnamese authorities and Chinese diplomats to remove barriers to Vietnam's agricultural exports to China during a virtual meeting.

The meeting was held among the Ministry of Agriculture and Rural Development, leaders of four northern provinces of Lang Son, Quang Ninh, Lao Cai and Cao Bang which border China, and the Embassy of China in Vietnam on August 11.

Tien requested his ministry's units to regularly get updates from the Chinese side as the neighbouring country plans to apply a number of new policies for agro-forestry-fishery products originated from Vietnam.

He urged domestic agri-businesses and cooperatives to boost exports of goods to China via official channels and strictly comply with requirements from Chinese importers.

The official called for collective efforts from ministries, agencies, and local administrations of Vietnam and the Chinese Embassy to bring down barriers to bilateral trade, saying "we must thoroughly prepare from granting cultivation area codes, sanitary and phytosanitary measures (SPS), farming process, to packaging and transport."

"To do so, we have no choice but to keep in touch with each other," he noted.

Vietnam now has nine products exported to China via official channels, including dragon fruit, watermelon, lychee, longan, banana, mango, jackfruit, rambutan and mangosteen. The Ministry of Agriculture and Rural Development (MARD) is seeking authorisation for eight more agricultural products to be shipped to China via official channels. The ministry expects the current COVID-

19 outbreak is soon stamped out so the two sides can ink a protocol on this matter.

Given that road and waterway transport restrictions have been put in place to prevent the spread of the virus, To Ngoc Son, Deputy Director General of the Ministry of Industry and Trade (MoIT)'s Asia-Africa Market Department, suggested Vietnamese exporters shift to railway transport.

A train can carry dozens of containers, meaning the same number of vehicles on road can be reduced, he said.

The MoIT is developing a quarantine protocol for rail transport based on those for road and waterway, Son said, adding that if problems of track gauge incompatibility and refrigerated containers are solved, this will be a game changer for trade between Vietnam and China.

Vice Chairman of the Lang Son People's Committee Luong Trong Quynh voiced concerns over slow customs clearance at border gates, causing long queues of loaded container trucks. Some container trucks had even been in line near the border gates for up to a week, severely affecting quality of agriculture products, he said.

Agreeing with Quynh, Vice Chairman of the Quang Ninh People's Committee Bui Van Khang added that China tightening rules on cross-border trade has also led to delays in customs clearance for Vietnamese farm produce shipments.

Khang proposed the MARD adopt policies facilitating exports under contracts to reduce dependence on cross-border trade. He also unveiled that Quang Ninh is considering opening more warehouses and container yards and building an agricultural trade centre enabling long storage of fresh food.

The province also plans to upgrade its border gates and build more ports and expressways, he said.

Data from the MARD shows that Vietnam's import and export value of agricultural, forestry and fisheries products reached 53.2 billion USD in the first seven months of 2021, of which exports stood at 28.6 billion USD, up 26.7 percent from the same period last year.

The country's trade of the products with China rose by 38.8 percent year on year to 8.67 billion USD in the first half of the year, with exports hitting over 6.17 billion USD, up 35.8 percent.

The strongest growth was seen in shipment of cattle feed (124.3 percent), followed by cashew nut (85.3 percent), and rubber (82.4 percent).

Corporate News

8. VPB: VPBank to become Vietnam's largest lender by charter capital next year

↑ 2.75%

It plans to issue new shares to existing shareholders at a rate of 80 percent, its management told analysts and stock investors Thursday.

The bank will also make a private placement of a 15 percent stake to a foreign strategic partner to increase its capital.

Its current charter capital is VND25.3 trillion.

Vietnam's biggest lender by charter capital is BIDV (VND40.2 trillion).

VPBank's pre-tax profits for the first half of 2021 jumped by 37 percent to VND9.04 trillion.

The bank is also eyeing new businesses such as investment banking and wealth management.

9. ADS: ADS plans to issue 10 million shares at only 1/3 of the market price

↑ 1.11%

In the market, the stock price of Damsan JSC (HOSE : ADS) is setting a record level since its listing at more than 31,000 VND/share, however, the company plans to issue 10 million shares at a price of just over 10,000 VND/share.

The Board of Directors of ADS has just approved a Resolution on implementing the plan to increase charter capital in 2021. Specifically, ADS will offer 10 million shares to existing shareholders at the asking price of 10,000 VND/share.

The exercise ratio is 561,389:200,000. The offering time is expected to be in 2021 after approval from the State Securities Commission.

It is known that the entire collected capital of 100 billion VND will be used by ADS to contribute capital to Thai Binh Cau Ngan Investment Joint Stock Company.

Notably, in the market, ADS stock price has increased continuously since the beginning of May until now. Currently, the price is trading around 31,950 VND/share (ending on August 13, 2021), double the price at the beginning of May, the average trading volume is more than 470,000 shares/session. This is also the record price set by ADS since its listing (June 29, 2016).

Along with the impressive price increase of the stock, the first half business results of ADS also recorded positive signs.

According to the consolidated financial statements reviewed in the first 6 months of 2021, ADS's net revenue reached nearly VND 698 billion, a slight increase over the same period.

Meanwhile, the decrease in cost of goods helped gross profit increase sharply to more than 83 billion dong, 4.7 times higher than the same period last year. Gross profit margin reached 12%, while the same period was only close to 3%.

According to the explanation of ADS, the reason is the stable production and business situation, favorable export market, making the average selling price of cotton yarn increased by 21% over the same period last year.

Financial expenses decreased by 30% to 19 billion dong, mainly due to the decrease in loan interest and exchange rate loss incurred during the period. On the contrary, selling expenses and general and administrative expenses simultaneously increased due to increased costs of outsourced services and labor costs.

As a result, ADS reported a net profit of nearly 43 billion dong, while the same period was loss of nearly 13 billion dong. Compared to the plan entrusted by shareholders, ADS has fulfilled 41% of the revenue target and 79% of the target of profit before tax in 2021.

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

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Japan Securities Co. Ltd – 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