# VIETNAM DAILY NEWS

JAPAN SECURITIES INC.

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# Market Analysis

## 1. Bank stocks recover, VN-Index rises

Viet Nam's stock market settled higher on Tuesday as more investors returned to riskier assets in the afternoon trade.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) jumped 18.22 points, or 1.39 per cent, to 1,332.44 points. The index had climbed for seven consecutive sessions and broke over the 1,330 point-level.

The market's breadth was positive as 243 stocks increased while 140 fell.

The liquidity was also higher than yesterday with nearly VND21.5 trillion (US$935.2 million) poured into HoSE, equivalent to a trading volume of 647 million shares.

The index's breakthrough was driven by pillar stocks in real estate sectors. The VN30-Index, which tracks 30 biggest stocks in market capitalisation on the southern bourse, jumped 1.5 per cent, or 21.66 points, to 1,469.87 points.

Vingroup SJC (VIC) still led the market's trend, up 6.51 per cent, followed by Vinhomes JSC (VHM), up 2.59 per cent.

The benchmark got more support from bank stocks in the afternoon trade as these stocks claimed back some losses from the morning session.

Many bank stocks recorded rises of more than 1 per cent, including Vietcombank (VCB), Techcombank (TCB), JSC Bank for Investment and Development of Vietnam (BIDV, BID), MBBank (MBB) and Vietinbank (CTG).

Analysts from Saigon - Hanoi Securities JSC (SHS) said that investors, who were already bottom fishing on July 19 when the market corrected back to the support zone of 1,260 points and took profits last Friday and earlier this week, should continue to watch and take short positions when the market moves up.

On the Ha Noi Stock Exchange, the HNX-Index also finished higher yesterday on bullish sentiment. The index jumped 1.33 per cent to 319.13 points.

During Tuesday's trade, over 113.6 million shares were traded on the northern market, worth nearly VND3 trillion.

The UPCOM-Index reversed the morning course, climbing 0.27 per cent to 87.59 points. In the morning trade, the index fell 0.22 per cent.

On the other hand, foreign investors' interest in the country's market was intact as they were still net buyers on both exchanges with a total value of VND169.75 billion.

Accordingly, they net bought a value of VND160.6 billion on HoSE, and a value of VND9.15 billion on HNX.

# Macro & Policies

## 2. Vietnam surpasses Bangladesh as world's second-largest garment exporter

Bangladesh had been the world's second-largest garment exporter since 2010, according to World Trade Organization (WTO) rankings. However, Bangladesh has lost its rank to Vietnam after the latter sold $29 billion worth of apparel merchandise to the world in 2020. Meanwhile, Bangladesh's ready-made garment exports were valued at $28 billion last year.

Due to the impact of the pandemic, both Vietnam and Bangladesh suffered a decline in garment exports. However, Bangladesh posted a stronger decline.

Vietnam accounted for 6.4 per cent of global garment exports last year while Bangladesh's share is 6.3 per cent. Indeed, Vietnam has received a large number of orders that were shifted away from China at the beginning of the COVID-19 outbreak.

China remained the world's largest apparel exporter in 2020 with 31.6 per cent of the global total. China exported $142 billion worth of apparel merchandise last year, a decrease of 7 per cent on-year.

WTO Director General Ngozi Okonjo-Iweala said that, "Trade began to recover as of mid-2020, but the effects of COVID-19 have varied significantly across countries and regions. In volume terms, which strip out the effects of fluctuating prices, Asia's merchandise trade was down by only 0.5 per cent in 2020, compared to the global decline of 5.3 per cent."

Vietnam's garment-textile export turnover reached nearly $19 billion in the first six months of 2021, an increase of over 20 per cent on-year. The positive result was attributed to early post-pandemic recovery of markets.

## 3. Steelmakers question timing of product tax adjustments

Under the proposal, Vietnam plans to impose a 5-per-cent export tax on steel billets and cut the import tax on some products. This move comes as steel prices have increased sharply since the beginning of the year by nearly 40 per cent, affecting the disbursement progress of public investment projects and input costs of many manufacturing industries.

“Although it will reduce the state budget revenue, reduction of import tax rates is not expected to be large because current import demand for iron and steel is not high,” stated the Ministry of Finance (MoF), while stressing the key target of stabilising local prices.

This is not the first time the imposition of steel tax has been discussed. If approved, the tax could influence the operation of steel billet makers such as Hoa Phat Group, Taiwanese-backed Formosa, and Vina Kyoei.

If the tax is imposed, these large Vietnamese exporters would need to offer prices uncompetitive in key Asian markets. For instance, Hoa Phat Group is currently the largest exporter of squared billets in the country, with more than 560,000 tonnes, followed by Formosa with an export volume of more than 128,000 tonnes.

To support its members, the Vietnam Steel Association (VSA) has petitioned the government to refrain from applying the tax, saying it is necessary for local mills to keep exporting billets to maintain production, particularly as domestic demand is not high enough to support production levels.

The VSA stressed that the recently rising steel prices are mainly driven by increasing global raw material costs and demand, with some saying that Vietnamese steel will lose its competitiveness, while the domestic market could become fiercer.

Nghiem Xuan Da, chairman of the VSA, said the Vietnamese steel market relies on imported input materials such as scrap steel, coke, ore, and others. When the prices of raw materials increase globally, domestic steel prices will surely rise as well, he said.

Along with that, the pandemic disrupted the global supply chains, causing delays in delivery times – which is another reason for the sharp increase in steel prices.

"Therefore, to cope with the current situation, steelmakers need to boost production, maximise supply capacity, and take measures to reduce costs, while coordinating the supply chain to further reduce prices, stabilise the market, and avoid speculation and hoarding," Da said, adding that now is not the right time for a tax adjustment.

Nevertheless, the government and related ministries have yet not replied to the VSA's petition.

A representative of Hoa Sen Group commented that the increase in steel prices not only happens locally but also worldwide, arguing that the price hikes are only happening in the short term. "Thus, there should not be a tax policy to regulate short-term price fluctuations of the market, as proposed by the MoF," the representative said.

Hiroyuki Iwasa, general director of Vina Kyoei Steel Company, said that the draft related to import tax on steel products will not make any sense at the present time. Prices of finished steel products are heavily affected by global market prices. The new policy, if applied, would increase the existing pressure on domestic manufacturers, forcing some into bankruptcy, according to Iwasa.

## 4. Vietnam's semiconductor market to grow by $6.16 billion

The report found that the semiconductor market is fragmented with several players occupying the market and the degree of fragmentation will accelerate during the forecast period. Some of the major vendors of the semiconductor market in Vietnam include Broadcom Inc., Hitachi Ltd., Intel Corp., NXP Semiconductors NV, Qualcomm Inc., Samsung Electronics Co., Ltd., SK Hynix Inc., STMicroelectronics NV, Texas Instruments Inc., and Toshiba Corp.

The growing use of the Internet of Things will offer immense growth opportunities. To leverage the current opportunities, market vendors must strengthen their foothold in fast-growing segments while maintaining their positions in slower ones.

In Vietnam, the semiconductor industry is deemed to be a platform to facilitate the development of other industries and was named among the nine national products to convert sci-tech achievements into high value-added commercial goods.

To develop the semiconductor industry, the government has allocated $3.2 billion to set up Integrated Circuit Design Research and Education Center, Saigon High-Tech Park Labs, and two Integrated Circuits R&D centres, and launched the first Integrated Circuit Development Programme in 2009.

The programmes provided training to electronic engineers to turn them into microchip designers and incubated over 30 domestic technology firms. Under the programme, in 2012-2017, some local chips have been successfully commercialised.

Indeed, Vietnam has attracted more semiconductor companies. In January, Danang Hi-Tech Park Management Board also granted a license to Hayward Quartz Technology from the US to develop a semiconductor factory with a total investment capital of $110 million. Hayward Quartz Technology is from the Silicon Valley in the US. The company is a leading supplier supporting all major original equipment manufacturers in the semiconductor business segment.

Also in the same month, Intel Corporation has invested a further $475 million in Intel Products Vietnam. This new investment comes in addition to Intel's $1 billion investment to build a state-of-the-art chip assembly and test manufacturing facility in Saigon Hi-Tech Park (SHTP) that was first announced in 2006. This takes Intel's total investment in its Vietnam facility to $1.5 billion.

## 5. HCM City port stops receiving imports as containers pile up

In an announcement, the Tan Cang Sai Gon (Sai Gon New Port) Corporation said the pileup has been caused by firms reducing or suspending production since the city's lockdown began.

In the period, starting July 9, the number of trucks coming to the port to pick up cargo has declined sharply, and the number of containers stuck has climbed to nearly 100 per cent of capacity.

The port is also facing a shortage of employees, with the number halving to 250, exacerbating the pileup.

Nguyen Phuong Nam, the corporation's deputy general director, said customers who have suspended production should stop importing goods through the port for the time being, though it would still receive them if the goods are already en route.

As for exports, oversized and excessively heavy goods and refrigerated cargo will also not be accepted until at least August 16.

Shipping companies have been told to persuade their customers to change the destination to Tan Cang - Hiep Phuoc Port in the city's Nha Be District or to Tan Cang - Cai Mep International Terminal or Tan Cang - Cai Mep Thi Vai Terminal in neighbouring Ba Ria - Vung Tau Province.

The corporation has called on shippers to provide the estimated number of containers with imports and empty brought by vessels docked at its port in the next two weeks so that it can proactively rearrange space.

If the number of containers stockpiled reaches the port's maximum capacity, the port will have to stop receiving cargo.

The corporation has called on the city Department of Customs to seek the General Department of Viet Nam Customs' instructions for dealing with the backlog at the port.

Nguyen Xuan Sang, director general of the Viet Nam Maritime Administration, said his agency has proposed solutions to the Ministry of Transport to resolve the urgent problems at the port.

VMA had opened a hotline at 0903 772 683 to receive calls so that it could support import-export companies and goods owners with loading and unloading of goods at the port.

It has also set up a command centre under the VMA, HCM City branch, to co-ordinate with port operators, shipping operators and other relevant agencies to quickly handle problems and ensure smooth operation of all ports.

It has instructed port authorities across the country to make plans to receive goods to prevent a similar situation.

Ports handle about 40 per cent of the country's imports and exports.

## 6. Ministry gives guidelines on foreign investment activities on Vietnam's securities market

The Ministry of Finance has issued a circular providing guidelines on obligations of organisations and individuals in foreign investment activities on the Vietnamese securities market.

Under Circular No. 51/2021/TT-BTC issued on June 30, 2021, foreign investors and representatives of foreign investors must ensure investment transactions on the Vietnamese stock market and those performed by related persons and groups of related foreign investors are not intended to create unreal supply and demand, manipulate securities prices, together with other prohibited trading acts as prescribed by law.

Foreign investors and foreign depository certificate issuers shall be obliged to declare, pay and settle taxes, fees, charges, and service prices related to securities activities in Vietnam in line with the provisions of Vietnamese law.

In addition, foreign investors and groups of related foreign investors must fulfill the obligation to report ownership and disclose information about securities transactions according to the law on information disclosure on the stock market.

Besides, the circular clearly stipulates obligations in providing services for foreign investors. Accordingly, securities companies, securities investment fund management companies, branches of foreign fund management companies in Vietnam, economic organisations with foreign investors holding more than 50 percent of charter capital, when providing services for foreign investors, must ensure full compliance with legal regulations on securities and stock market.

When providing services and participating in securities auctions as authorised by foreign investors, securities companies, securities investment fund management companies, branches of foreign fund management companies in Vietnam must separate trading orders and investment instructions of foreign investors from trading orders and investment instructions of domestic investors (if any) and their own, ensure compliance with legal regulations on the rate of foreign ownership in Vietnamese enterprises, and take responsible for a fair and reasonable allocation of assets to each customer following the signed contract.

The circular will take effect on August 16, 2021.

## 7. Vietnam faces steep decline in production output in July

Rates of decline in output and new orders quickened from the previous month and employment was down sharply amid reports of temporary company closures and social distancing restrictions, according to the latest report of IHS Markit.

Disruption was also felt in supply chains, with delivery times lengthening to the greatest extent in more than 10 years of data collection.

The rate of input cost inflation accelerated sharply, but efforts to secure orders meant that firms raised their selling prices at a relatively modest pace.

The Vietnam Manufacturing Purchasing Managers' Index (PMI) ticked up to 45.1 in July from June's reading of 44.1. However, the latest figure signaled a marked deterioration in business conditions across the sector for the second month in a row.

Evidence from manufacturers highlighted the impact that the latest Covid-19 outbreak has had on operations. Some firms were forced to close temporarily, while others had to operate with reduced capacity due to social distancing measures.

These effects, alongside a marked drop in new orders, resulted in a further sharp reduction in manufacturing production at the start of the third quarter.

The decline in output was softer only than that seen following the initial outbreak of the Covid-19 pandemic in March and April last year.

Alongside lower new orders, new business from abroad was also down. However, the reduction in exports was softer than that seen for total new business amid some reports of improving demand in international markets.

Lower workloads, temporary closures and limits on staff numbers due to social distancing requirements meant that employment decreased markedly for the second month running.

While disruptions to operations led backlogs of work to build up at some firms, this was outweighed by a sharp drop in new orders. Overall, outstanding business decreased moderately.

The severe disruption to supply chains was noted in July, with the extent of delivery delays being the most marked since the survey began more than a decade ago.

Panelists linked longer lead times to difficulties with transportation both domestically and internationally due to the pandemic, as well as raw material shortages.

Manufacturers were also faced with surging input costs, as the rate of input price inflation accelerated to the fastest since April 2011. Higher costs for raw materials such as iron and steel, products imported from China and freight charges were all reported by respondents.

While some firms passed on these higher cost burdens to clients, others were reluctant to do so given the weak demand. As a result, the rate of output price inflation was much softer than that seen for input costs, suggesting pressure on profit margins.

Concerns around the ongoing impact of the pandemic meant that business confidence remained below the series average in July, although firms remained optimistic overall of output growth over the coming year.

“The sector is likely to remain under pressure and struggle to generate growth until the outbreak can be brought under control, so it will be important to keep watching the COVID-19 case numbers for signs of improvement," said Andrew Harker, economics director at IHS Markit.

# Corporate News

## 8. STB: Sacombank makes $73.4m profits from selling treasury stocks

↑ 1.71%

It was one more important mandatory task in its restructuring approved by the State Bank of Vietnam after the merger.

Nguyen Duc Thach Diem, a member of the board of directors and CEO of the bank, said, "After handling Sacombank's treasury shares, we have completed one of the objectives of the restructuring project, contributing to increasing liquidity, increasing the efficiency of capital use as well as improving the capital adequacy ratio for the bank."

Sacombank is making unrelenting efforts to soon accomplish the restructing project's objectives to regain its position in the market and get approval to pay dividends to shareholders despite facing many new challenges, she added.

It also plans to sell all 13.87 million shares it owns in the Sacombank Securities Joint Stock Company, equivalent to a 10.21 per cent stake, in August as part of its strategy to restructure investments and increase revenues to supplement capital for its businesses.

At the end of the first half of the year the bank had total assets of VND504.5 trillion ($21.97 billion), deposits of VND 447.6 trillion ($19.5 billion) and loans outstanding of VND 361.1 trillion ($15.7 billion), up 6.1 per cent since the beginning of the year.

Its profit before tax was VND2.424 trillion ($105.58 million), or 60.6 per cent of its full-year target.

It recovered VND 6.61 trillion ($288 million) worth of bad debts and outstanding assets in the first half to reduce its non-performing loans ratio by 0.1 percentage point for the year to 1.54 per cent.

Its capital adequacy ratio (CAR) is 9.75 per cent, up 0.22 percentage points from the beginning of the year.

## 9. CTG: Vietinbank ensures positive business results while enhancing customers support

↑ 1.04%

The bank reported a pre-tax profit of VND10.8 trillion in the first six months of the year, representing a 45 per cent year-on-year increase.

Its return on equity (ROE) and return on asset (ROA) continued to improve. In addition, Vietinbank was approved by the State Bank of Viet Nam for a charter capital increase from VND37.2 trillion to VND48 trillion. This would create a precondition for the bank to improve its financial capacity in the near future.

Since the beginning of the year, Vietinbank has boosting lending to small, medium and retail enterprises, increasing short-term deposits to save capital costs, focus on financial management, and improve the efficiency of operating expenses.

VietinBank has also effectively implemented a campaign to attract new customers to use eFAST and iPay, open accounts through eKYC, and deploy free account packages to promote the expansion of its customer base.

The bank has been active in supporting customers who were affected by the COVID-19 pandemic by reducing lending interest rates and service fees, thus helping businesses and people access loans and financial services.

As of June 2021, Vietinbank reduced interest rates to nearly 7,500 customers affected by the pandemic with a total reduction of VND4 trillion.

The bank has proactively devoted additional financial resources to setting up risk provisions for bad debts due to the impact of COVID-19.

A representative from the bank said: "In the face of the prolonged impact of the pandemic, in the second half of 2021, VietinBank will continue to accompany and support customers affected by COVID-19 and strengthen debt quality control. We will identify industries and customers at potential risks to promptly implement appropriate measures, accelerate debt collection and settlement to ensure safe and effective operations.".

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