



VIETNAM DAILY NEWS



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Market Analysis

1. Shares decline on strong selling force

Vietnamese shares declined on Tuesday, dragged by market heavyweights as selling pressure increased significantly towards the closing minutes of trading.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) declined 0.33 per cent to finish the trading day at 1,341.90 points.

It had jumped 0.88 per cent to close Monday at 1,346.39 points.

The market breadth was negative as 294 stocks declined, while 125 rose and 28 ended flat.

Nearly 869.4 million shares were traded on the southern market, worth VND26.6 trillion (US\$1.2 billion).

The selling pressure suddenly increased strongly in the afternoon causing the market to turn down.

"The market struggled for most of the day and finally corrected slightly at the end of the session," said BIDV Securities Co.

"Market breadth turned negative with a slight decrease in liquidity compared to the previous session, showing a cautious sentiment towards the resistance level of 1,350 points.

"Meanwhile, foreign investors were net sellers on HoSE while they were net buyers on HNX.

"A slight correction today might make the market maintain its accumulation around 1,350 points in the short term," the company said.

Many large stocks such as insurer Bao Viet Holdings (BVH), PetroVietnam Gas JSC (GAS), FPT Corporation (FPT), Hoa Phat Group (HPG), Masan Group (MSN), Sabeco (SAB), Vingroup (VIC), Mobile World Group (MWG), Phu Nhuan Jewelry (PNJ), PV Power (POW), Vincom Retail (VRE) all dropped, negatively impacting the market.

Bank stocks still gained ground and helped narrow the market's decline, with gainers included Sacombank (STB), Vietinbank (CTG), Tien Phong Bank (TPB), Bank for Investment and Development (BID), VPBank (VPB), MBBank (MBB), Asia Commercial Bank (ACB) and Vietnam International Commercial Joint Stock Bank (VIB).

The 30 biggest stocks tracker, VN30-Index, rose 0.18 per cent to finish at 1,444.10 points.

Of the VN30 basket, 11 stocks increased while 17 decreased.

On a sector basis, 22 out of 25 sectors decreased, such as insurance, food and beverage, seafood processing, real estate, agriculture, home appliance production, logistics, construction and construction materials.

Meanwhile, on the Ha Noi Stock Exchange (HNX), the HNX-Index rose 0.25 per cent to close Tuesday at 346.48 points.

The northern market index had increased 2.21 points to close Monday at 345.63 points.

During the session, over 169 million shares were traded on HNX, worth VND3.6 trillion.

Macro & Policies

2. Consumer finance survey reveals strongest financial brands in Vietnam

The rankings are based on an aggregate of six unique criteria measuring the consumer perceptions of local and international financial institutions in Vietnam. Banks and insurers were rated on their reputation, customer satisfaction, value-for-money, quality, overall impression, and whether people would recommend them to others.

Vietcombank topped the table with a score of 26.6. BIDV came in second with 21.6, just ahead of third-placed Techcombank which scored 20.3.

The rankings also measure changing trends in consumer attitudes towards banks and insurers, tracking which financial brands have improved over time. Once again, Vietcombank topped the table with a rise of 6.2 points against the previous 12-month period. Techcombank was the second-most improved institution, growing 4.7 points, with VietinBank coming in third after recording a 3.3 point increase.

One of the most important individual measures of future growth in the banking and insurance sector is the likelihood that customers would recommend an institution to their friends and families. On this metric, Techcombank ranks No.1 with a "Recommend" score of 81.2. Meanwhile, MBB (74.6) and TPBank (74.4) achieved second and third places in the category.

Vietnamese banks dominate the list of "most recommended" financial institutions. However, foreign banks seem to be gaining ground in the minds of Vietnamese consumers. HSBC and Citibank both appear in the top 10 "most recommended" while Citibank is also the third-biggest improver in this score.

Foreign brands have a much stronger presence in the insurance sector. While BaoViet Life takes the gold medal, insurers from Canada, the US, Hong Kong, Japan, Italy, Switzerland, Taiwan, and the UK take up eight of the top 10 top-ten places.

Commenting on the rankings, YouGov Vietnam CEO Thue Quist Thomasen said, "For the first time, these rankings reveal the financial brands that consumers trust, value, and recommend. Our data shows that local banks have the strongest brands for Vietnamese consumers. However, foreign institutions dominate the insurance market. This poses a challenge to local banks looking to grow their customer base in this area."

"Building a strong brand is one of the most important factors in creating a successful company in Vietnam, sustaining a competitive advantage, and achieving a high valuation. YouGov's data can give financial institutions unique insights into how customers rate their brands and services, which banks can use to optimise their marketing campaigns and gain greater market share," he added.

3. Agro-forestry-fisheries sector enjoys trade surplus of US\$3.3 billion in eight months

The agro-forestry-fisheries sector's export revenue reached about US\$32.1 billion in the first eight months of this year, up 21.6 per cent, while imports were estimated at \$28.8 billion, up 44.1 per cent, resulting in a trade surplus of about \$3.3 billion, a fall of 48.2 per cent over the same period last year, reported the Ministry of Agriculture and Rural Development (MARD).

Revenue from major agricultural products recorded a 13.6 per cent growth to \$13.9 billion, while forestry exports rose 42.7 per cent to \$11.2 billion, and aquatic products' revenue increased 7.1 per cent to \$0.6 billion. Exports of livestock hit \$286 million, up 15.9 per cent.

Despite a fall of 1.3 per cent in volume, export revenue of peppercorn still rose over 50 per cent to

\$666 million. However, rice and tea suffered falls in both volume and value.

The major export markets of Vietnamese agro-forestry-fisheries products were Asian countries which accounted for 41.5 per cent of market share, followed by the Americas with 31.3 per cent, Europe 11.3 per cent, Africa 1.9 per cent and Oceania 1.5 per cent.

The US remained the biggest market of the sector with consumption of \$9.3 billion worth of products, accounting for 29.1 per cent of the market share. It was followed by China with 18.9 per cent market share.

In the first eight months of this year, Viet Nam imported \$28.8 billion of agro-forestry-fisheries products, up 44.1 per cent year on year, including \$2.9 billion worth of goods (mostly cashew nuts) from Cambodia and \$2.7 billion from the US.

In August alone, the sector earned nearly \$3.4 billion from exports, down 21.6 per cent over the

same time last year and 22 per cent compared to the previous month.

Downturn was seen in export revenue of the majority of products, except for cassava, grain and milk products.

The sharpest fall was seen in the export value of furniture at over 50 per cent, followed by tra fish at 30 per cent, vegetables nearly 26 per cent, fertiliser 24 per cent, and peppercorn 21.5 per cent.

The ministry explained that COVID-19 impacts forced factories to slow down operations or even shut, affecting production for export.

The MARD said that for the rest of the year, it could continue to strengthen trade promotion to increase exports, while supporting localities and businesses in exporting farm produce, coordinating with relevant agencies and representative offices abroad to give market forecasts, and applying online assessment on agricultural products.

4. Pro-competitive policies in logistics sector can help Viet Nam recover from the pandemic

Pro-competitive policies can help Viet Nam continue its progress in logistics sector and help the country recover quickly from the impacts of the pandemic, the Organisation of Economic Co-operation and Development said in its two latest reports.

'Competition Assessment Reviews: Logistics Sector in Viet Nam' assesses the impacts of regulations on competition in the sector, covering the five main subsectors of the logistics market: freight transportation, including transport by road, inland waterways and maritime; freight forwarding; warehousing; small-package delivery services; and value-added services.

The second report, 'Competitive Neutrality Reviews: Small-Package Delivery Services in Viet Nam', identifies regulatory obstacles in the small-package delivery sector to which changes could be made to foster competition by levelling the playing field between public and private operators. This is especially important for Viet Nam, where the e-

commerce sector is expected to grow at a double-digit rate for the next couple of years.

The country is emerging as a key logistics hub in the region, with the transportation and storage sector now accounting for around 2.7 per cent of GDP and 3.5 per cent of workers.

Before COVID, Viet Nam's logistics sector was one of the top performers in ASEAN and 39th worldwide after rising 25 places in just two years in the World Bank's latest Global Logistics Performance Index survey in 2018.

Like other ASEAN member states, though it has managed to maintain positive GDP growth, Viet Nam is suffering from the socio-economic impacts of the outbreak.

In an interview with Viet Nam News via email, Ruben Maximiano, senior competition expert at the OECD, said: "Together the reports contain more than 60 recommendations, regarding, for instance provisions imposing excessively restrictive

requirements for market entry, price regulations, limitations on FDI, and the need to ensure that State-owned enterprises such as Vietnam Post receive adequate compensation for non-commercial activities for government agencies and other public authorities.”

He provided some specific examples.

For road freight transport, the OECD found that to provide transport by container or use certain other vehicles beyond a 300-kilometre distance, operators need to own a minimum number of vehicles.

“This may result in unnecessary and burdensome costs for companies.

“The inability to maintain the minimum fleet size may even result in exit of otherwise healthy competitors, or keep away entry of new efficient and innovative firms.

“The OECD recommends removing certain provisions that impose excessively strict and burdensome market entry requirements. It finds that the legitimate policy objective of reducing market fragmentation could be achieved through other less competition-restrictive means.

“Regarding ports, the OECD recommends that the Vietnamese policymakers consider the removal of the minimum price floor and keeping only maximum prices for port charges. Such maximum prices should be at a level that would enable operators to recover their costs, including a reasonable rate of return. Such maximum prices should be regularly revised to ensure they are in line with market dynamics and provide the necessary incentives for innovation and investment.

“The OECD also recommends undertaking a holistic review of the national strategy on ports and the existing network of ports. Among other factors, such a review could consider the benefits of inter-

port competition while recognising the risks created by excess port capacity.”

For competitive neutrality in the small package delivery services in Viet Nam, the organisation recommends that SOEs such as Vietnam Post be adequately compensated for their “public-service obligations,” thus avoiding under-compensation or over-compensation, he said.

The recommendations could help develop pro-competitive regulations, reducing the cost of doing business, allowing market entry and encouraging both international and domestic investment, driving productivity, and lowering prices for producers, distributors and, ultimately, consumers, OECD said.

Given the centrality of logistics services, these recommendations could have a knock-on, economy-wide effect and benefit Vietnamese consumers, it said.

Maximiano added, “These independent OECD reports are not about eliminating regulations, but about making better regulations – regulations that are fit for purpose whilst at the same time promoting well-functioning competitive markets.”

The two reports support the continued efforts of the Viet Nam Competition and Consumer Authority advocating for competition principles to be taken into account for policy-making, both vital to making the economy more flexible and resilient amid and following the COVID-19 crisis.

They are part of the OECD’s Fostering Competition in ASEAN project, a partnership between the organisation and ASEAN.

The project has reviewed regulatory constraints on competition in all 10 ASEAN member countries to identify regulations that hinder the efficient functioning of markets, and create a level playing field for businesses..

5. Bank stocks decline sharply during pandemic

Banking stocks have continuously corrected since the beginning of July, with market analysts

forecasting the decline in bank asset quality as due to the COVID-19 pandemic.

After setting a historic peak of 1,420.27 points on July 2, the stock market had a deep correction with the VN-Index losing more than 100 points, equivalent to a decrease of nearly 7 per cent, staying at 1,310.05 points at the end of the month. Instead of leading the market up, bank stocks were one of the groups that pulled the index down the most.

In August, although the VN-Index recovered significantly by 1.64 per cent compared to the previous month, the financial sector index continued to drop by 3.23 per cent. Many banking stocks witnessed strong volatility during this period.

Shares in Vietinbank have decreased by nearly 40 per cent since late June, from VND52,700 (US\$2.32) per share to VND31,800.

Military Commercial Joint Stock Bank also fell 36 per cent compared to the end of June, and is currently trading at VND27,900 per share. In the first half of this year, the bank reported a 56 per cent increase in profit before tax, reaching nearly VND8 billion. Total bad debt at the end of the second quarter this year decreased by 22 per cent compared to the beginning of the year.

Lien Viet Post Commercial Joint Stock Bank also underwent a decrease of 23 per cent compared to late June.

“Profits of banks are strongly affected as the economy is being heavily damaged by the COVID-19 pandemic,” analysts said.

“With the current social distancing measures nationwide, it is likely that credit growth in the third quarter of 2021 will slow down, and banks will have to prioritise risk management to ensure asset quality.

“The prolonged pandemic has affected production and business activities and debt repayment of enterprises, pressuring banks with handling increasing bad debts.”

Despite many influences, some analysts are still optimistic about the prospects of the banking industry in the near future.

“The negative impact of the pandemic on the banking industry is obvious, but compared to many other economic sectors, the impact of the pandemic is much less,” said a senior director of KIS Vietnam Securities Joint Stock Company.

“Despite social distancing, banking operations have been maintained thanks to the online trading platform, plus non-interest income will help banks maintain positive profit growth.

“When the pandemic is under control, business activities will recover and credit demand will increase again.

“The banking industry will benefit from the injection of capital to recover the economy. Transactions of banking stocks will soon be active again and will continue to lead the market in the last months of this year and the whole year of 2022.”

The recent increase in banks' provisions also helped reduce risks. Yuanta Securities Vietnam said that the total provision in the second quarter of 2021 of listed banks was estimated at VND33.4 trillion, an increase of 55 per cent compared to the first quarter of 2021 and an increase of 83 per cent over the same period of 2020.

The State Bank is collecting opinions on amending Circular 01/2021/NHNN dated March 13, 2020 on the restructure of debts payment deadlines, exemptions, reductions in interest of foreign credit institutions and foreign bank branches.

According to experts, this is expected to create a positive effect on cash flow, supporting the market price of this group of stocks in the coming years.

The ability to manage risks better, and more diversified financial products such as bonds, insurance or card payment development, and digital banking will be supporting factors, creating sustainable growth for the banking industry during the pandemic.

6. Coastal tourism real estate near HCMC attracts developers as COVID prevents travel

The change in tourism trends caused by the COVID-19 pandemic has made coastal real estate near HCM City attractive to tourism property developers.

COVID-19 is limiting the use of public transport such as planes, buses and trains and increasing the use of personal vehicles.

Developers are therefore looking at coastal tourism markets that are easily accessible by private vehicle within two to four hours from the city, experts said.

Binh Thuan Province's Phan Thiet City seems set for a boom thanks to imminent transport upgrades too, they said.

Situated 2.5 hours from HCM City by road, Phan Thiet's holiday home products are attractive to affluent people in HCM City and Ha Noi, who show great interest in them since they offer a combination of lifestyle and long-term investment, experts said.

Long Thanh International Airport's first phase is expected to be ready by 2025 with a capacity of 25 million passengers annually. Situated 130 km from Binh Thuan, it is expected to attract many foreign tourists, a major advantage for the province since foreigners tend to spend more than locals.

Phan Thiet resorts are quite cheap now since infrastructure is still being built.

Dr Tran Nguyen Minh Hai of the HCM City Banking University said demand for property ownership one or two hours from HCM City by personal vehicle would explode after the COVID epidemic is completely controlled.

Duong Thuy Dung, senior director at property consultancy CBRE Vietnam's, said coastal real estate markets near HCM City such as La Gi and Mui Ne in Binh Thuan Province and Ho Tram in Ba Ria - Vung Tau Province would lead the southern real estate market in the next five years since they have advantages such as having a private space.

7. VinaCapital economist warns against irrational exuberance in stock market

Investors should not try to play the stock market "timing" game by selling stocks now and try to re-enter later, investment fund VinaCapital has warned.

Michael Kokalari, chief economist at VinaCapital, said: "The consensus expectations for 38 per cent EPS growth in 2021 are too optimistic. That said, earnings should rebound vigorously next year, so we caution investors not to play the market timing game."

"We are monitoring some unorthodox indicators of industrial activity at factories that produce high-value products (inspired by hedge funds use of unorthodox data, such as satellite imagery of Walmart parking lots).

"From early July we observed many buses transporting workers back and forth between hotels in central HCM City and factories located in Viet Nam's industrial suburbs."

He said foreign companies like Panasonic and Samsung could afford to house employees at hotels and take other COVID mitigation steps, but the profit margins of firms that produce low value-added products such as garments and furniture are much lower.

"Consequently, companies producing garments, shoes, and other low-margin products are having a hard time maintaining their production, and Viet Nam's exports of such products plunged in August.

“This drop will act as a drag on Viet Nam’s GDP growth.”

“We are currently revising our GDP growth forecast and note that our forecasts have consistently been below and more accurate than the consensus.”

The Government is prioritising vaccinating people in the greater HCM City area, given the region’s economic importance and considering it and the industrial suburbs of Binh Duong, Dong Nai and Long An account for over one-third of the country’s GDP.

The proportion of adults who have received at least one dose of a COVID vaccine has increased from less than 5 per cent in late July to more than 15 per cent.

Kokalari said the Government’s strategy now incorporates objective criteria to assess COVID risks by neighbourhood, which should enable an orderly reopening once certain public health milestones are met.

They include a reduction in the number of daily new COVID cases and deaths, and an increase in the number of people who are vaccinated, he added..

Corporate News

8. HSG: Stock issuance under ESOP

↓ -1.75%

Hoa Sen Group announces the information on stock issuance under ESOP as follows:

- Stock name: Hoa Sen Group
- Stock type: common share
- Par value: 10,000 dongs/share
- Number of shares issued: 489,081,896 shares
- Number of outstanding shares: 489,081,896 shares
- Number of treasury shares: 0 share

- Number of shares expected to be issued: 4,400,000 shares

- Total value (at par value): VND44,000,000,000

- Issue ratio: 0.9% of number of outstanding shares.

- Selling price: VND 10,000/share

- Time for transfer restriction: from September 15, 2021 to September 15, 2022

- Issuance price: VND10,000/share

- Time for settlement: from September 07, 2021 to September 15, 2021..

9. MWG: Result of stock issuance for dividend payment

↓ -0.63%

Mobile World Investment Corporation announces the result of stock issuance for dividend payment to existing shareholders as follows:

I. Information on stock:

- 1) Stock name: Mobile World Investment Corporation
- 2) Stock type: common share
- 3) Par value: 10,000 dongs/share
- 4) Number of shares issued: 475,431,197 shares
- 5) Number of outstanding shares: 475,271,464 shares
- 6) Number of treasury shares: 159,733 shares
- 7) Number of shares expected to be issued: 237,635,732 shares
- 8) Exercise ratio: 2:1 (Those who own 02 shares will receive 01 new share.)

9) Plan to deal with fractional shares: The distributed shares will be rounded down to units, the fractional shares (if any) will be cancelled.

10) Ending date: August 31, 2021

11) Time for transferring shares: expected in September 2021.

II. Result:

1) Number of distributed shares: 237,634,298 shares; Of which:

- Number of distributed shares to shareholders: 237,634,298 shares for 19,134 shareholders;

- Number of fractional shares: 1,434 shares (These shares will be cancelled.)

2) Total shares after the issuance (August 31, 2021): 713,065,495 shares; Of which:

- Number of outstanding shares: 712,905,762 shares

Number of treasury shares: 159,733 shares.

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