



VIETNAM DAILY NEWS



November 10th, 2021

Table of content

Table of content

1. Shares reverse uptrend to drop on profit-taking pressure
2. Stock market remains bullish for the rest of 2021
3. RCEP agreement to take effect in January 2022
4. Việt Nam has high export growth after joining WTO
5. Banks raise provisions in anticipation of bad debt
6. Tiki raises \$258m funding, to develop supply chain, 'Made in Vietnam' technologies
7. Southern real estate market will recover quickly: experts
8. UIC: Consolidated Financial Statements in Quarter 3/2021, Net profit reaches 7.30 billion dong, increasing by -58.54% compared to the same quarter last year
9. CLC: Cat Loi Joint Stock Company pays cash dividend in interim 1, 2021 with the ratio of 10.00%

Market Analysis

1. Shares reverse uptrend to drop on profit-taking pressure

Viet Nam's stock market reversed to drop slightly on Tuesday as a series of large-cap stocks lost ground on strong profit-taking pressure.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 0.41 per cent to end at 1,461.50 points.

The index had gained 0.76 per cent to end Monday at 1,467.57 points.

The market's liquidity was negative with 200 stocks rising, while 253 slid.

Investors poured over VND30 trillion (US\$1.3 billion) into the southern exchange, equivalent to a trading volume of 1 billion shares.

The 30 biggest stocks tracker VN30-Index lost 0.56 per cent, to end at 1,527.13 points. Nine in the VN30 basket climbed, while 20 decreased and one stayed flat.

Losers in the VN-30 group included Saigon-Hanoi Bank (SHB), down 3.2 per cent, Kido Group JSC (KDC), losing 2 per cent, Phu Nhuan Jewelry (PNJ) falling 1.9 per cent, Masan Group (MSN) dropping 1.8 per cent, PetroVietnam Gas JSC (GAS) losing 1.9 per cent and Vinamilk (VNM) falling 1.1 per cent.

“Today, the market experienced a slight correction due to profit-taking pressure after setting a new high in the session. At the end of the session, the VN-Index dropped more than 6 points,” said BIDV Securities Co.

“Market breadth tilted to the negative side. Regarding the transactions of foreign investors, today they were net buyers on the HSX and net sellers on the HNX.

“The market may maintain the movement trend around 1,460 points as market liquidity is still at a stable level,” it said.

Foreign investors net bought VND7.57 billion on HOSE, including Hoa Phat Group (HPG) with VND172.93 billion, Vietinbank (CTG) with VND94.99 billion, and Vinhomes (VHM) with VND85.93 billion.

Foreign investors were net sellers on HNX with the value of VND1.71 billion.

On a sector basis, losers were wholesale, retail, information and technology, banking, food and beverage, rubber production, construction, construction materials and seafood processing.

On the Ha Noi Stock Exchange (HNX), the HNX-Index gained 0.12 per cent to end Tuesday at 432.64 points.

The index had risen 1.04 per cent to end Monday at 432.10 points.

During the trading session, more than 143 million shares were traded on HNX, worth nearly VND3.8 trillion.

Macro & Policies

2. Stock market remains bullish for the rest of 2021

Viet Nam's benchmark VN-Index is expected to fluctuate in a range of 1,380-1,480 points in November, boosted by higher vaccination coverage, recovery of the economy and stimulus packages.

The Vietnamese stock market ended last month at 1,447.27 points, representing growth of 7.6 per cent compared to the beginning of October and 22.4 per cent for the year.

A report from VNDirect Securities Corporation said that cash flows continued to run into small-cap stocks in October, while divesting from large- and medium-cap stocks.

However, the securities firm expects that cash flows will return to large- and medium-cap stocks in November after the VN-Index hit new historical highs and formed short-term rallies.

Given good signs such as the reopening of the economy, the higher percentage of vaccinations and stimulus packages, the stock market's outlook is expected to be positive.

Speaking during an online webinar launched by VNDirect earlier this month, Tran Khanh Hien, Research Director of VNDirect, said about three macro indicators that investors would need to pay attention to in the last two months of the year.

The first is the PMI index, which reflects whether enterprises' production activities can return to pre-pandemic levels. The index will be described in profits in the next one to two quarters.

The second factor is the export index. In the context of disruptions in both input and output of global supply chains, the stronger export index means the country's exports meet timely global demand.

Last but not least is the inflation indicator. Even though the inflation rate is low and stable, the risk remains, according to Hien.

Once inflation indicators show signs of moving higher, investors should be extremely careful in making investment decisions, she recommended.

The economy is also boosted by the Government's huge support packages, worth up to VND800 trillion (US\$32.3 billion), or public investment policies, leading to bright prospects for the stock market, in general, and industry groups that directly benefit from them.

"Because we have just disbursed 50 per cent of the public investment plan, there is still room to boost for growth in the last few months", Hien said.

In addition, the third-quarter business results so far have indicated more positive results than expected. As of November 1, the total net profit of listed companies that have announced last quarter's financial statements increased by 21.5 per cent year-on-year. For the first nine months of 2021, net profit jumped 55 per cent.

The market's focus is now shifting to the recovery in the fourth quarter and in the coming years.

VNDirect believed the market valuation would still be attractive with a long-term view, and it would continue to be supported by cash flow from retail investors amid low deposit interest rates.

Therefore, the firm expected the benchmark would be traded in a range of 1,380 - 1,480 points in November.

Stock groups to watch

As the economy is reopened with support policies from the Government, domestic consumption will rebound strongly in 2022. Hence, food and beverage businesses, retailers and air carriers will be the main beneficiaries.

Meanwhile, commodity prices are forecast to remain high next year due to strong consumer demand along with the recovery of the global economy. Accordingly, VNDirect assessed that oil and gas and commodity exporters would benefit from this development.

"As sea freight rates are expected to decline after being hit hard during social distancing, seafood exporters will be worth watching," Hoang Anh Tuan,

head of investment consulting at VNDirect, said at the webinar.

Infrastructure development is also in focus in the next few years as it is an important measure to promote economic growth, according to VNDirect. Besides road infrastructure, aviation and industrial zones, energy infrastructure will attract attention in the next two years.

For the long-term, investors should pay attention to the clean energy group, Hien said.

“It is not just current demand for developing cleaner energy, but environmental, social and governance (ESG) funds are looking for projects, companies related to cleaner energy and Viet Nam is a potential destination,” said Hien.

And although bank stocks fell 15 per cent from peaks, VNDirect said that the corrections partly reflected the existing downside risk, making the risk and investment efficiency in the banking sector more attractive.

3. RCEP agreement to take effect in January 2022

The Regional Comprehensive Economic Partnership (RCEP) Agreement will officially take effect starting January 1 next year, according to the Ministry of Industry and Trade.

The trade pact was signed by 10 ASEAN members and their five partner countries in November 2020 on the sidelines of the 37th ASEAN Summit chaired by Việt Nam.

It will come into effect 60 days after it is ratified by at least six ASEAN members and three other signatory countries.

As of November 2, six ASEAN nations, including Việt Nam, and four signatories - China, Japan, Australia and New Zealand - had submitted documents

ratifying the agreement to the ASEAN Secretary-General.

The RCEP agreement taking effect from January next year is expected to multilateralise free trade agreements that ASEAN signed with partner countries, harmonise commitments and regulations in the trade pacts, maximise economic interests, particularly origin principle and trade facilitation, and strengthen regional supply chains and economic recovery in the post-pandemic period.

The agreement, gathering the 10 ASEAN member nations and Australia, China, Japan, New Zealand and the Republic of Korea, will cover a market of 2.2 billion people, accounting for about 30 per cent of the world’s population, and a total GDP of US\$26.2 trillion.

4. Việt Nam has high export growth after joining WTO

Việt Nam has gained strong growth in trade since it joined the World Trade Organisation (WTO) 15 years ago, according to the Ministry of Industry and Trade (MoIT).

With 17 free trade agreements (FTAs) whose negotiations have been completed or underway, Việt Nam has become an open economy with a trade to GDP ratio of up to 200 per cent.

According to the Agency of Foreign Trade under the Ministry of Industry and Trade (MoIT), Vietnamese

firms have maximised advantages to boost exports and penetrate new markets.

Export goods have also been gradually changed to increase the proportion of value-added products, well-processed products, and hi-tech products.

The country’s total trade value rose from US\$84.7 billion in 2006 to \$545.3 billion last year. In the first 10 months of this year, the figure was \$537.31 billion.

Việt Nam has always recorded a trade surplus, from \$1.77 billion in 2016, to \$2.1 billion in 2017, \$6.8 billion in 2018, \$10.9 billion in 2019 and \$19 billion in 2020.

Of which, the export value of processed industrial goods has increased from 80.3 per cent in 2016 to 85.2 per cent last year.

The number of goods items with export value of over \$1 billion has increased from 28 items in 2016 to 31 items in 2020.

Moreover, the free trade agreements have also contributed to Việt Nam's fast and sustainable export development, reducing dependence on one or a few markets.

Deputy Minister of Industry and Trade Trần Quốc Khánh cited a report by the WTO last year as saying that among the top 50 merchandise traders, Việt Nam recorded the biggest increase in the world's rankings, leaping from the 39th place in 2009 to the 23rd position in 2019.

The numbers reflect that Việt Nam was an open economy after joining the WTO and seriously realising its commitments, he stressed.

Moreover, the signing and implementation of FTAs helped the country attract more foreign direct investment (FDI), creating momentum for the national economy, the official added.

According to Khánh, it is the result of implementing many policies on innovation and restructuring the economy associated with growth model innovation for a long period, improving productivity and amending regulations.

Besides that, there is the process of improving the business and investment environment towards modernity and transparency to create fair competition for businesses.

However, since Việt Nam has integrated into the global market, its export growth has been fast but not steady and very vulnerable.

Moreover, local businesses have mainly processed export products or been trade agencies. Foreign direct investment (FDI) enterprises are also adapting and taking the advantages of FTAs better than Vietnamese enterprises.

The products with fast export growth rate and large export volume still have limitations in terms of productivity, area and exploitation capacity, such as agriculture, fishery and mineral products or depend on imported technology and raw materials, such as textiles, leather and footwear.

At the same time, the number of trade remedy investigation cases against Vietnamese exports has also increased.

To support businesses, Ngô Chung Khanh, Deputy Director of the MoIT's Multilateral Trade Policy Department, said apart from reducing administrative procedures, the ministry would continue communication work to raise domestic firms' awareness of the FTAs.

The ministry would speed up the building of the FTA Portal (FTAP), he said, adding that more than 20 ministries and agencies would join a working group to operate and upgrade the portal.

Deputy Minister Khanh affirmed that Việt Nam would further promote trade policies comprehensively and synchronously to boost economic development in tandem with sustainable development.

Việt Nam would work harder to effectively implement the present international commitments and FTAs, while seeking potential partners to conduct negotiations on new FTAs, thereby helping to expand trade ties in the future, he said.

5. Banks raise provisions in anticipation of bad debt

In the face of rising bad debt amid the ongoing pandemic, commercial banks have been forced to write up their loan loss provisions, according to industry sources.

Vietinbank was to increase its non-performing loan coverage ratio from 119 per cent at the end of September to 169 per cent for the rest of the year, with risk provisions from VND14 trillion (US\$617

million) to VND17 trillion, said Vietinbank's Chairman of the board Tran Minh Binh.

The move was a result of rising non-performing loans due to the pandemic and designed to improve the bank's buffer for the year to come.

"We have to stay vigilant and be prepared for 2022," he said.

VietinBank's credit risk provisions increased to VND14 trillion by the end of September, a 22 per cent, or VND2.5 trillion, increase from the same period last year. The bank has set aside VND5.5 trillion in provisions during the third quarter of 2021 as bad debt ratio reached 1.67 per cent, the highest recorded in the last four quarters.

Vietcombank's provision cost has been reported to climb to over VND8 trillion during the first nine months of the year, a 33 per cent increase from the same period last year. During the third quarter alone, the bank raised its provision by VND2.5 trillion, a 25 per cent increase year-on-year.

Vietcombank reported its bad debt has doubled since the beginning of the year from VND5.2 trillion to VND10.8 trillion (from 0.62 per cent to 1.16 per cent) resulting in a lot of pressure to allocate even more funds to its provisions.

Meanwhile, BIDV has set aside VND7.5 trillion during the third quarter, a 35 per cent increase year-on-year, raising its provisions to over VND23 trillion during the first nine months, a 44 per cent increase year-on-year.

The bank had the highest bad debt ratio among commercial banks at 1.61 per cent, a slight decrease from 1.76 per cent at the beginning of the year.

The majority of commercial banks have all reported an increase in provision cost during the first three quarters of 2021: ACB VND2.8 trillion, VPBank VND13.6 trillion, LienVietPostBank VND887 billion and TPBank VND2.3 trillion.

Current regulations dictate banks must maintain provision rates at 0 per cent for standard debt (Group 1), 5 per cent for special attention required debt (Group 2), 20 per cent for subprime loans (Group 3), 50 per cent for doubtful debt (Group 4) and 100 per cent for potentially irrecoverable debt (Group 5).

In addition, banks must also maintain 0.75 per cent of total outstanding loans (excluding Group 5) in general provision.

However, the State Bank of Vietnam's (SBV) recent directives aimed at providing businesses with COVID-19 financial relief have forced banks to set aside a larger amount than usual in provisions.

"At this moment, I think that banks have built their own scenarios. Besides reducing interest rates to support people, the banks have also actively improved their financial capacity to ensure good operations in the future," said Nguyen Quoc Hung, general secretary of the Viet Nam Banking Association.

By the end of September, commercial banks have extended deadlines for over 270,000 customers with a total loan of over VND330 trillion with interest cuts, per SBV's request, of VND12.2 trillion from July 15 to September 30.

6. Tiki raises \$258m funding, to develop supply chain, 'Made in Vietnam' technologies

Vietnamese e-commerce platform Tiki has raised US\$258 million in its fifth funding round.

Led by AIA Insurance Inc., the round also attracted Mirae Asset-Naver Asia Growth Fund, Taiwan Mobile, Yuanta Fund, and STIC Investments, which is an existing shareholder.

Tiki plans to use the money for logistics and 'Made in Vietnam' technologies, two cornerstones in its value propositions.

After recently signing a 10-year comprehensive exclusive agreement with AIA Vietnam, Tiki is looking forward to develop an insurtech platform

that offers a wide portfolio of insurance products and financial services.

The project will kick off with the launch of AIA's health insurance products on Tiki possibly in end-December.

With this solution in place, customers will be able to get consultancy and make insurance claims right on the platform.

Tran Ngoc Thai Son, Founder and CEO of Tiki, said: "The \$258 million investment ... proves Tiki's long-term commitment to building world-class infrastructure, and developing technologies, supply chain, talents... to turn potential into reality, hence creating sustainable values for Vietnamese users and businesses."

Founded in 2010, Tiki has become a leading e-commerce player in the country with 4,000 employees and 20 million registered customers.

7. Southern real estate market will recover quickly: experts

After more than four months of slowing down due to the COVID-19 pandemic, the property market in the south is regaining strength and there are optimistic signs of a recovery thanks to demand still exceeding supply.

While the HCM City market had gone quiet after the renewed COVID outbreak, in neighbouring provinces like Đồng Nai, Long An and Bình Dương it had seen robust growth last year, experts said.

Distance is no longer a problem for developers in and around HCM City thanks to improved transport infrastructure, and they are increasingly looking at neighbouring provinces where prices are more reasonable and have potential for property development, according to experts.

In HCM City, some 20 projects in all segments were launched in the first six months of this year with 30,000 units.

According to the Việt Nam Real Estate Brokerage Association, the economy will keep pace and achieve better growth, and so investment and demand for housing will recuperate.

The apartment segment is expected to account for a large proportion in the city, with mid-priced, two-bedrooms units remaining the most in demand.

Housing demand in the city exceeds 100,000 units a year, which outstrips supply.

Limited supply was mainly because lack of land and legal barriers make developers turn to neighbouring provinces such as Bình Dương and Đồng Nai.

The Đồng Nai housing market seems to be of special interest to them, with many large players have such as Novaland, DIC Corp, Đất Xanh, and Nam Long already involved to take advantage of the opportunities offered by improving infrastructure such as highways connecting it with other localities.

Some key infrastructure projects under construction or are in the works include Long Thành International Airport, the Bến Lức – Long Thành and Biên Hoà - Vũng Tàu expressways and the Dầu Giây - Phan Thiết Highway.

As of August Đồng Nai had approved compensation payments of more than VNĐ9 trillion for more than 1,900 hectares of land.

The province People's Committee has also sought Government funding of more than VNĐ4 trillion for two roads connecting Long Thành airport, provincial roads 763 and 770B.

According to analysts, real estate projects located around the airport will benefit in the future.

Notably, the Gem Sky World urban area project developed by Đất Xanh Group has quickly become a hotspot.

In Bình Dương Province, land in areas close to HCM City with potential for economic development, such as Thuận An and Dĩ An cities, have become ideal for affordable apartment projects, a product the metro lacks.

The Việt Nam Association of Realtors said apartment prices in Bình Dương increased sharply last year

despite COVID, from VNĐ25-30 million (US\$1,080-1,300) per square metre to VNĐ30-35 million

(US\$1,300-1,500), but remain much lower than in HCM City.

Corporate News

8. UIC: Consolidated Financial Statements in Quarter 3/2021, Net profit reaches 7.30 billion dong, increasing by -58.54% compared to the same quarter last year

↑ 1.66%

UIC: Consolidated Financial Statements in Quarter 3/2021, Net profit reaches 7.30 billion dong, increasing by -58.54% compared to the same quarter last year

Idico Urban & House Development (HOSE) publishes Consolidated Financial Statements in Quarter 3/2021 with result as follows:

- Revenue: 495.26 billion dong, up -25.93% YoY

- Net profit: 7.30 billion dong, up -58.54% YoY, accomplishing 77.46% of Profit plan this year.

For detailed information, please refer to:

9. CLC: Cat Loi Joint Stock Company pays cash dividend in interim 1, 2021 with the ratio of 10.00%

↑ 0.13%

Ticker CLC - Cat Loi Joint Stock Company pays cash dividend in interim 1, 2021 with the ratio of 10.00%

Cat Loi Joint Stock Company (ticker: CLC) announces -- as record-date for cash dividend in the interim 1, 2021 with the ratio of 10.00% (1,000 dong per share). The payment is planned on --.

The company has 26.21 million outstanding shares of Cat Loi Joint Stock Company. As a result, the company is going to pay 26.21 billion dong for the shareholders.

In 2020, Cat Loi Joint Stock Company generated 1,899.75 billion dong in revenue and 128.95 billion dong in net profit, increasing -1.50% and -8.25% compared to figures in same period of previous year, respectively.

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

Disclaimer:

Copyright 2015 Japan Securities Co., Ltd (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

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