VIETNAM DAILY NEWS

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Market Analysis

1. Shares slide on strong selling pressure

Vietnamese stocks slipped on Thursday, with banking and securities shares extending falls and steel stocks tumbling, pressuring the indices amid a strong selling force.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark VN-Index plunged 1.40 per cent to end Thursday at 1,456.96 points.

It had inched down 0.07 per cent to close Wednesday at 1,477.67 points.

The market's breadth was negative with 141 gainers and 335 losers.

Liquidity hit a new record with a massive 1.36 billion shares traded on the southern bourse, worth nearly VND45.6 trillion (US$2 billion).

The VN30-Index, tracking the 30 biggest stocks on HoSE, lost 1.78 per cent to end at 1,477.37 points. Twenty-two out of 30 stocks in the VN30 basket posted losses, while four increased.

Banking and securities stock performed poorly with many losers such as Military Bank (MBB), Asia Commercial Bank (ACB), Bank for Investment and Development of Vietnam (BID), VPBank (VPB), Sacombank (STB), Vietcombank (VCB), Tien Phong Bank (TPB), Techcombank (TCB), SSI Securities Inc (SSI), FPT Securities Joint Stock Company (FTS), Ho Chi Minh City Securities Corporation (HCM), Viet Capital Incorporation (VCI), SSI Securities Incorporation (SSI), Agribank Securities Corporation (AGR) and APG Securities Joint Stock Company (APG).

Pillar stocks in the steel group also lost ground, including Hoa Phat Group (HPG) and Hoa Sen Group (HSG).

Petroleum stocks attracted strong cash flow as a series of stocks in the group gained ground, such as Viet Nam National Petroleum Group (PLX), PVPower (POW), PetroVietnam Gas JSC (GAS), PetroVietnam Drilling & Well Services Corporation (PVD), PV OIL (OIL), Binh Son Refinery (BSR) and PetroVietnam Technical Services Corporation (PVS).

Nineteen out of 25 sector indices on the stock market posted losses, including securities, IT, retail, banking, rubber production, construction materials, logistics, healthcare, food and beverage, real estate, insurance and seafood production and wholesale.

On the other side, gainers were agriculture, oil and gas and construction.

On the Ha Noi Stock Exchange (HNX), the HNX-Index lost 2.32 per cent to end Thursday at 442.61 points.

During the session, investors poured over VND4.5 trillion into the market, equivalent to a trading volume of 162 million shares.

Macro & Policies

2. Foreign ownership regulation hinders banks from finding strategic shareholders

Many banks expect the participation of foreign strategic shareholders will help them increase capital and improve governance capacity and competitiveness, but the current regulations on foreign ownership ratio are making it difficult, according to experts.

Under the current regulations on foreign investors buying shares of Vietnamese banks, the total share ownership rate of foreign investors must not exceed 30 per cent of the charter capital of a bank.

According to Nguyen Thi Hong Minh, director of the Central Institute for Economic Management (CIEM), an increase of the share ownership ratio for foreign investors will bring more hope to commercial banks in attracting more foreign capital and having access to better governance and technologies.

Nguyen Anh Duong, head of the CIEM's Research Division, said the increase of the foreign ownership ratio in banks can bring many benefits such as improving the ability for local banks to meet Basel II standards, helping Viet Nam to meet its commitments on the foreign ownership rate in free trade agreements (FTAs), especially in the EU-Viet Nam Free Trade Agreement (EVFTA) and increasing the ability to attract investment and finding strategic investors.

Sharing the same view, Nguyen Quoc Hung, general secretary of the Vietnam Banks Association (VNBA), said in the current context, it is necessary to increase the foreign ownership ratio in banks as banks have demand for increasing capital to restructure in association with handling bad debts.

According to Hung, limiting the room for foreign investors at 30 per cent also affects the opportunities for mergers and acquisitions in Viet Nam and makes the country's M&A market less developed. Meanwhile, the restriction has caused banks to miss development opportunities due to a shortage of capital while foreign investors are a large capital supply channel.

As of June 30 this year, 11 Vietnamese banks had foreign institutional shareholders who owned more than 15 per cent of their charter capital and five other banks had a rate at more than 25 per cent, Hung said.

Can Van Luc, chief economist of the Bank for Investment and Development of Vietnam (BIDV), said it is the right time to increase the foreign ownership ratio as the pressure to increase capital of the banking industry remained high.

According to Luc, within the last decade, the average growth rate of total assets of the banking system was 10-12 per cent per year while lending also increased 14 per cent per year on average.

With the growth, banks are forced to increase capital to ensure their capital adequacy ratio (CAR) to meet regulations of the State Bank of Vietnam, he said, adding reputable rating agencies will base on that to assess credit ratings, which helps raise the attractiveness in the banking industry.

3. Việt Nam has great opportunities in export to Eurasia

The Eurasian market is now considered a potential export market for Viet Nam's goods, according to an expert from the Ministry of Industry and Trade.

The Europe-America Market Department under the Ministry of Industry and Trade organised a trade cooperation forum with Eurasian partners in 2021 on Wednesday in Ha Noi to support the Vietnamese business community to overcome difficulties, increase exports of goods, and expand export markets in the context of the COVID-19 pandemic.

Speaking at the event, department director Ta Hoang Linh described Eurasia as a huge market with 28 countries which are home to a population of over 410 million people and a gross domestic product of over US$3.3 trillion.

Despite the COVID-19 pandemic, two-way trade between Viet Nam and Eurasia still hit $12.7 billion in 11 months of this year, up 13.1 per cent annually. Of the figure, $8.6 billion was Viet Nam's exports which remained modest compared to their import demand of more than $1.34 trillion, or only 0.66 per cent of the market share, showing that room for Viet Nam's exports remains huge.

As of late November, 18 out of 28 regional countries invested in 319 projects worth nearly $1.78 billion in Viet Nam, or 0.44 per cent of the total foreign direct investment in the country.

Meanwhile, Viet Nam poured around $2.82 billion in 37 projects in nine regional nations as of late September. Russia was the biggest recipient of Vietnamese investment with 15 projects valued at $2.8 billion.

According to Linh, Viet Nam and Eurasian countries have established solid institutions and frameworks as the foundation for the development of bilateral cooperation.

They include the Viet Nam-Eurasian Economic Union Free Trade Agreement (VN-EAEU FTA); the EU-Viet Nam Free Trade Agreement (EVFTA); Investment Protection Agreement between Viet Nam and the EU (EVIPA); and the Bilateral Economic Cooperation Consultation Mechanism. Vietnamese enterprises and enterprises of Eurasian countries could promote cooperation in the fields of economy, trade and investment based on those.

In addition, bilateral trade relations between Viet Nam and Eurasian countries are constantly being developed.

At the forum, several speakers shared information about the Asia-Europe international railway route. Goods are transported by rail from Viet Nam connecting to the Eurasian Railway via China to Central Asian countries (Kazakhstan, Tajikistan), Russia and European countries.

In the context of increasing costs of marine freight and air transport, rail transport is becoming more and more attractive because it has a shorter transport time than shipping, reasonable cost for higher quantity of goods and safety.

Therefore, transporting goods through the Asia-Europe railway has become one of the suitable options for import-export businesses of Viet Nam and other countries in this region.

They also pointed out the benefit of goods transportation via seaports in Eastern Europe such as Slovenia, Bulgaria and Romania and shared information about e-commerce sites in these markets to help Vietnamese firms seek export opportunities.

Questions regarding foreign countries' import and investment attraction policies were answered at the event. Market demands and opportunities from free trade agreements were also updated.

Linh affirmed that the ministry will continue partnering with business community to boost trade and investment activities between Viet Nam and Europe-America and Asia-Europe in particular.

4. Utilities stocks look promising in 2022 on bright business prospects

The outlook of coal-fired power and renewable energy groups in 2022 is positive, especially coal-fired power plants in the north as they may benefit from water shortages in the coming months.

In a recent report, Agriseco Research said that the output growth of the electricity industry in 2021 will slow down due to the impact of COVID-19 and the prolonged social distancing in many key economic regions.

The electricity output of the whole system in the first nine months of the year was estimated at 213 billion kWh, up 3.3 per cent over last year. However, in the third quarter, the output decreased by 7 per cent compared to the second quarter.

It is reasonable as normally the annual growth of electricity production in Viet Nam is about 1.5 - 2 times higher than GDP growth. Accordingly, with a GDP growth target of 6 - 6.5 per cent in 2022 and a low base of 2021, Agriseco Research expects the power industry to return to double-digit growth next year.

Favourable hydrological factors

The report showed that the prospect of coal-fired power and renewable energy groups in 2022 is positive. Of which, coal-fired power plants in the north may benefit from the water shortage in the coming months and the slower growth in power generation compared to the growth in load.

Besides, in the medium and long term, gas-fired power and renewable energy groups are expected to gradually replace traditional energy sources such as coal and hydroelectricity.

The draft of Power Plan VIII has opened up new opportunities for the electricity industry in general and power sources in particular. Of which, small hydroelectricity power plants with an additional capacity of about 6,000 MW will be in focus because larger-scale projects have almost reached their full capacity.

Coal-fired power and gas-fired power (gas turbine engine) plants will also play a key role until 2030 due to the advantage of easy selection of plant locations close to areas with high load demand, especially in the north.

Renewable energy segment

For the renewable energy segment, it is expected to replace traditional energy with the largest proportion in 2045. Thanks to the incentives on electricity generation prices, the solar power capacity has reached 16,500 MW, accounting for 25 per cent of the system capacity.

Meanwhile, wind power is at the beginning of the development period as its installed capacity still has 7,000 MW left by 2025, with the compounded annual growth rate (CAGR) of 30 per cent.

Therefore, in the 2022-23 period, Agriseco Research believes that wind power will still receive incentives to achieve the growth target.

Moreover, the net life cycle costs of renewable energy projects are also in a strong downtrend. Solar projects' installation costs that account for the majority with over 50 per cent of the total cost of a renewable energy project fell by 7 per cent, while that of offshore wind projects dropped 9 per cent and onshore wind power projects decreased by 13 per cent.

The declines were driven by the application of technology and price competition among turbine and solar panel suppliers in the world, Agriseco said.

Hence, the cost of installing solar and onshore wind projects may be cheaper than coal-fired power in the next few years when the equipment market is gradually saturated. The trend will ensure profit margins for investors in new projects when the price mechanism gradually shifts from the fixed incentive to the bidding mechanism.

Potential gas-fired power segment

In the gas-fired power segment, factories are now taking advantage of cheap domestic gas fields, which are gradually running out. Agriseco Research believes that gas-fired power will play an important role in the power plan in the northern region, especially amid limited coal-fired power development.

Currently, liquefied natural gas (LNG) storage facilities are being built across the country, including in Quang Ninh, Hai Phong and Thanh Hoa areas.

However, the report noted that unlike renewable energy projects, a gas-fired power project usually has a large capacity and requires huge investment capital.

Therefore, gas-fired power projects often need more time to look for investors and capital arrangement, especially projects without government guarantees.

Agriseco believes that this will be a big barrier for gas-fired power projects to complete the operation schedule, and get consensus on the electricity price in the power purchases agreement (PPA) with Viet Nam Electricity (EVN).

Agriseco Research also said that utilities stock prices, in general, are quite attractive compared to the market valuation, with healthy financial situation and regular dividends. So they are suitable for long-term holding, the company added.

5. Viet Nam, RoK promote cooperation in trade, industry, energy

South Korean businesses should pour more capital to fully tap Viet Nam's 100-million-strong market and gradually access the ASEAN market of 600 million as well as other markets which have signed free trade agreements (FTAs) with Viet Nam, said a Vietnamese official.

Minister of Industry and Trade Nguyen Hong Dien made the statement at the Viet Nam-RoK business seminar that took place in Seoul, South Korea on Wednesday.

The event was held by the Vietnamese Ministry of Industry and Trade, in collaboration with the Republic of Korea (RoK)'s Ministry of Trade, Industry and Energy and the Korea Trade-Investment Promotion Agency (KOTRA).

Dien said that since the establishment of their diplomatic ties in 1992, Viet Nam and the RoK have enjoyed the best-ever development stage of their relations. The RoK is Viet Nam's third biggest trade partner and largest investor with over 9,000 projects.

He said that Korean groups and businesses have made important contributions to boosting export growth and trade surplus of Viet Nam.

Chang Sang-hyun from KOTRA said that Viet Nam is one of the important destinations of Korean investors.

An increase of Korean investment in Viet Nam amid the complicated developments of the COVID-19 pandemic has shown their trust in the country's business and investment environment, he stressed.

At the event, RoK enterprises proposed the Vietnamese Government and Ministry of Industry and Trade help untie difficulties in entry and ground clearance, and create more favourable conditions for them, especially in the fields of energy, chemicals and textile and dyeing.

They expressed their confidence in Viet Nam's potential and development, hoping to expand their investment in the future.

Meanwhile, Vietnamese firms showed their hope to strengthen cooperation with Korean partners in clean energy, recycling materials and chemicals, and get engaged in their production chains in the field of support industries.

Concluding the seminar, Minister Dien said that the Vietnamese Government and the Ministry of Industry and Trade have consistently supported and created favourable conditions for domestic and foreign investors, including those from the RoK, to continue expanding their investment and business activities in Viet Nam as well as supporting Vietnamese firms to deepen cooperation with Korean partners.

Trade in apparel, footwear

RoK is the largest investor in the textile - garment and leather - footwear industries of Viet Nam, which holds considerable chances to boost the export of these commodities to the Northeast Asian market.

During the webinar and online business matching on connecting Viet Nam - Korea businesses in the fields of textile, leather and shoes held in Ha Noi on Tuesday, Deputy Director of the Viet Nam Trade Promotion Agency Le Hoang Tai said the RoK is currently one of the leading economic partners of Viet Nam, ranking first in foreign direct investment and third in trade with the latter last year.

Bilateral trade reached US$63 billion in the first 10 months of 2021, up 17.6 per cent year on year. That included $17.9 billion of Vietnamese exports, rising 11.5 per cent.

Viet Nam shipped $26.9 billion worth of textile - garment and $14.24 billion worth of leather - footwear products to the RoK during the period. The full-year figures are forecast to hit $33.9 billion and $18.52 billion, respectively, according to Tai.

Kyoung Don Kim, head of the investment promotion division at the KOTRA Office in Ha Noi, noted his country is the biggest investor in the textile - garment industry in Viet Nam, which in turn is the second trade partner of the RoK in this sector.

Vice Chairman of the Viet Nam Textile & Apparel Association (VITAS) Truong Van Cam expressed his hope that the RoK will invest more in the local industry, especially in material production and design, so as to benefit from preferential treatment under free trade agreements.

For her part, Phan Thi Thanh Xuan, Vice Chairwoman and Secretary General of the Viet Nam Leather, Footwear and Handbag Association (LEFASO), said the country is the second biggest exporter of leather - footwear products in the world, with about $20 billion in revenue, following China. There are nearly 2,000 enterprises in this sector, and they engage in all production steps. Meanwhile, the RoK is one of the five main export markets of this industry.

Given this, Vietnamese businesses have relatively big opportunities to cooperate with Korean importers to boost exports, she added.

6. FTAs unlock opportunities for Australian investment: workshop

Australia's investment in Việt Nam would grow further thanks to free trade agreements (FTAs), heard a workshop held virtually in Hà Nội on Wednesday.

The Australian investment in the Southeast Asian nation now remains modest, said Nguyễn Thị Thu Trang, Director of the Việt Nam Chamber of Commerce and Industry (VCCI)'s Centre for WTO and Economic Integration, citing statistics by the Ministry of Planning and Investment's Foreign Investment Agency as showing that by November 2021, Australia had 545 projects worth US$1.94 million in Việt Nam.

The capital accounts for only 0.5 per cent of the total FDI poured into Việt Nam, ranking Australia 19th among countries and territories investing in Việt Nam, she added.

However, Trang said, the two countries share three FTAs, including two new-generation ones, namely the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP).

The three deals, together with 12 others to which Việt Nam is a signatory, would help to unlock opportunities to attract more Australian investors, she stressed.

Australian Ambassador Charles Thursby-Pelham said Việt Nam and Australia have officially announced their enhanced economic engagement strategy, with the aim of doubling investment and becoming top ten trading partners.

To make use of the opportunities, Việt Nam should study and address problems hindering Australian businesses to land their investments in the country, he said.

He also suggested Việt Nam comprehensively reform the public sector, regularly review local legal regulations, and fulfil international commitments to investment and creating a fair, transparent business environment for foreign investors, including those from Australia.

Nguyễn Ánh Dương, Director of the Department for General Economic Issues and Integration Studies at the Central Institute for Economic Management (CIEM), said Việt Nam should learn from international experience in foreign investment attraction.

For example, Việt Nam can call for more investments in healthcare and digital technology, and push ahead with digital transformation in investment promotion amid the COVID-19 pandemic, he continued.

Phùng Thị Lan Phương, from the Centre for WTO and Economic Integration, emphasised the need to boost connectivity between Australia's FDI firms and their Vietnamese partners, saying the Vietnamese Government and localities should play a more active role in this regard.

7. Cross-border e-commerce: Bringing Vietnamese goods to international consumers

In the context of the COVID-19 pandemic, cross-border e-commerce channel is opening a 'green stream' to bring Vietnamese goods to the world, unlocking the potential of a new sales channel in international trade and contributing to development of the Vietnamese digital economy.

Cross-border e-commerce is becoming a good solution for export businesses to maintain business operations and develop sustainably.

It is also a new opportunity to help e-commerce models gradually associate with import and export activities, becoming a new export channel, supplementing traditional export channels and expanding the customer base.

Not missing this trend, the Government issued Decision No 645/QD-TTg dated May 15 last year, approving the National E-commerce Development Master Plan for 2021-2025.

One of its key components is promoting an e-commerce application to support key export industries and expand consumption of domestic goods and promote e-commerce development in numerous localities.

These include building national pavilions on some of the world's major e-commerce platforms, organising Vietnamese stalls that gather prestigious brands with highly localised content recognised by Vietnamese government and State management agencies, and enhancing major e-commerce platforms for Viet Nam and the world.

Domestically, the positive signals from "Viet Nam Online Store" have provided a solid foundation for building a programme to bring Vietnamese goods to foreign markets through cross-border e-commerce.

In particular, the successful pilot export of Bac Giang lychees through the cross-border e-commerce channel co-operated by the Viet Nam E-commerce and Digital Economy Agency (iDEA), Ministry of Industry and Trade, and Viettel Post in this year's lychee crop marked an important milestone for Viet Nam's e-commerce industry in bringing high-quality fresh agricultural products to foreign markets with strict international standards.

Following that success, iDEA held a press conference to announce the programme "Viet Nam National Pavilion" on the Chinese JD.com e-commerce platform at the end of last month.

The JD platform is the second largest e-commerce company in China, following Alibaba.

The national pavilion symbolises Vietnamese products, and is the first Vietnamese goods space on an international e-commerce platform and in China.

To operate the pavilion, Viettel Post accompanies iDEA in supporting manufacturing and exporting enterprises as well as operation and logistics and consulting in foreign markets, such as China, Japan, the EU and the US.

Accordingly, Vietnamese exporters participating in the pavilion will receive support with the operations, logistics, financial support and image promotion rights in import countries.

Thus, cross-border e-commerce not only creates opportunities and helps large enterprises, but is a great opportunity for small businesses, co-operatives and individual business households to do business as well as access foreign businesses in the fastest way possible.

The Viet Nam E-commerce and Digital Economy Agency said that it would take on the role of a focal point to support Vietnamese businesses in organising the distribution of goods, firstly in the Chinese market, in a methodical, organised and effective manner on overseas e-commerce platforms.

However, each import market has its own legal regulations and characteristics in importing and consuming goods.

Therefore, based on specific studies for each market, iDEA will build appropriate cross-border e-commerce models to orient export businesses;

ensure marketability and efficiency; and achieve the goal of expanding exports for Vietnamese enterprises to the international market through cross-border e-commerce.

The agency has recommended businesses learn about the market of the import countries; focus on advantageous products; improve advertising capacity; and fully understand the regulations on quality standards to ensure cross-border logistics operation, and goods preservation.

Corporate News

8. TTE: TTE plans to issue 21 million individual shares at VND 10,000/share

↑ 6.76%

The Board of Directors of Truong Thinh Energy Investment Joint Stock Company (HOSE : TTE) has just approved the Resolution to implement the private placement plan and the ESOP share issuance plan. In which, the amount TTE is expected to spend to invest in Binh Thuy Lam Dong Electricity Joint Stock Company is VND 173 billion.

Specifically, TTE plans to issue 21 million shares individually to increase charter capital in 2021. The asking price is VND 10,000 /share, 33% lower than the current market price.

TTE offers shares for the purpose of supplementing capital to seek and buy back projects with high economic efficiency.

The expected proceeds of VND 210 billion will be used by the Company to invest in Binh Thuy Lam Dong Electricity Joint Stock Company (VND 168 billion) and invest in wind power and solar power projects (VND 42 billion). Disbursement is expected in the first quarter of 2022. Besides, TTE will also issue 509,600 ESOP shares at the price of 10,000 VND/share. The issuance rate is 1.79%. This share is only transferable 50% after 1 year and the remaining 50% after 2 years from the issue date.

The amount of more than VND 5 billion expected to receive from the issuance of ESOP shares will be used by the Company to invest in Binh Thuy Lam Dong Electricity Joint Stock Company.

If the above two issuance options are successful, the charter capital of TTE will increase from nearly 285 billion VND to VND 500 billion.

Notably, on the market, TTE shares hit the ceiling at 15,000 VND/share at the beginning of the session on December 23, marking the 4th consecutive ceiling increase. The average liquidity in the past 1 month recorded more than 1,100 shares/session.

9. VGC: VGC's subsidiaries are racing to reduce their 2021 profit plan

↓ -0.37%

The 2 subsidiaries of Viglacera Corporation - JSC (HOSE : VGC) are Viglacera Thang Long Joint Stock Company (UPCoM: TLT) and Viglacera Hanoi Joint Stock Company (UPCoM: VIH) respectively announced to reduce the business plan for 2021.

In which, TLT adjusted its net revenue and profit before tax target in 2021, down 8% and 44% compared to the old plan, down to VND 546.9 billion and VND 10 billion. Business value also adjusted down from VND 592.2 billion to VND 525.8 billion.

And VIH also adjusted revenue and profit before tax down 14% and 56% respectively compared to the old plan, down to VND 511.9 billion and VND 8 billion. The production and business value in 2021 was also adjusted down 12%, to only VND 524.8 billion.

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