



VIETNAM DAILY NEWS

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Market Analysis

1. Market settles higher as sentiment boosts bank stocks

Benchmark indices finished higher on Friday as investors' confidence in bank stocks improved.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index inched up 7.59 points, or 0.52 per cent, to 1,472.89 points. The benchmark had lost over 57 points in the first two sessions of the week due to strong sell-offs.

However, the market's breadth was still negative with 235 stocks declining, while 226 stocks increased. Liquidity, meanwhile, improved as more than 811.3 million shares were traded on HoSE, worth nearly VND23 trillion (US\$1 billion).

The index's uptrend was driven by large-cap stocks, especially bank stocks. The 30 biggest stocks tracker VN30-Index posted a gain of 9.35 points, or 0.63 per cent, to 1,502.16 points.

Sixteen stocks in the VN30 basket rose, while 14 slid.

Vietcombank (VCB) was the biggest gainer in the last trading session of the week, up 2.41 per cent, leading the rally trend.

Many other bank stocks also witnessed strong performance, supporting the general bullish sentiment. Notably, MBBank (MBB) was up 5.3 per cent, Techcombank (TCB) up 1.94 per cent, BIDV

(BID) up nearly 1.4 per cent, Vietinbank (CTG) up 1.3 per cent, and VPBank (VPB) up more than 1 per cent.

Some realty stocks saw big gains on Friday, including Vinhomes (VHM) up 1.02 per cent and Development Investment Construction JSC (DIG) up 7 per cent, the biggest intraday gain.

The gain was limited by losses in some pillar stocks such as Hoa Phat Group (HPG), down nearly 1.6 per cent, Sabeco (SAB), down 1.33 per cent, and PV Gas (GAS), down 1.1 per cent.

On the Ha Noi Stock Exchange (HNX), the HNX-Index climbed 6.04 points on Friday, or 1.47 per cent, to 417.84 points. The index lost nearly 58 points in the first three sessions of the week.

During the session, investors poured over VND2.3 billion into the market, equivalent to a trading volume of nearly 90.2 million shares.

Analysts from MB Securities Company (MBS) said that the market's recovery is likely to continue as more and more listed companies release the fourth-quarter results.

Meanwhile, foreign investors net sold a huge amount of over VND1.1 trillion on HoSE, while net bought a value of VND20.64 billion on HNX..

Macro & Policies

2. Fiber export turnover reach 5.5 billion USD in 2021

Vietnam's export turnover of fiber of all types reached a record high of 5.5 billion USD in 2021, despite the severe impact of the COVID-19 pandemic.

It was up 13 percent in volume and 50 percent in value against last year's figures, Dau tu (Investment) newspaper reported.

Last year, the price of fiber rose by 25 percent compared to 2020. Of these, cotton experienced the highest growth, followed by polyviscose and polycotton. Many enterprises including the Ha Noi Textile and Garment Joint Stock Corporation (Hanosimex) have benefited from the fiber price hike.

Despite the outbreak of pandemic last year, Hanosimex's subsidiaries still operated at full capacity. The corporation attributed it to the fact that they had received orders early and had been proactive in securing materials for their production.

Thanks to a rise in fiber price and good trading, the corporation's revenue estimated to reach 897 billion VND (39.5 million USD) last year, representing 146 percent of the year's target. It earned 675 million VND from exporting fiber, doubling that of 2020. The profit of Hanoisimex was 86.3 billion VND last year, seven times higher than the target of 12 million VND.

According to Nguyen Ngoc Binh from the Vietnam National Textile and Garment Group (Vinatex)'s production and business department, enterprises in the fiber industry have gained impressive

achievements in terms of production, business and exports as they had taken the industry's advantages.

He said that more than 50 percent of Vinatex's profit came from the industry in 2021.

A Vinatex's report showed that the corporation recorded more than 16.4 trillion VND in revenue last year, up 10 percent compared to the previous year and pre-tax profit doubling year-on-year to 1.2 trillion VND.

The corporation has recovered to the same level as before the pandemic occurs. It has resulted from investment strategy on material that has been carried out over the five years, Binh said adding that in spite of the COVID-19 pandemic, two modern factories were put into operation by Vinatex in 2021 to meet the fiber demand for 2022.

With the resuming of production and supply chains as well as safely adaptation to COVID-19 pandemic measures, enterprises engaged in fiber manufacturing and exporting are having advantages at the beginning of this year.

Major companies namely Soi The Ky, Thien Nam, Phu Bai announced that they are fully booked for the first quarter and some customers like China and the Republic of Korea have pledged to maintain orders from Vietnamese suppliers in the long term.

Ho Le Tung, director general of Hanosimex, said that the corporation will tap the market opportunity in the beginning months of 2022 to contribute to 50 percent of the estimated profit of 70 billion VND.

3. Vietnam, France hold seventh high-level economic dialogue

The seventh high-level economic dialogue between Vietnam and France took place in the form of videoconference on January 20.

The event was co-chaired by Director of the External Economic Department under the Ministry of Planning and Investment Pham Hoang Mai, and on the French side head of the Bilateral Affairs and

International Business Development Department at the French Treasury Magali Cesana.

In opening the dialogue, Director Pham Hoang Mai thanked the French Government and people for aiding Vietnam with vaccine and medical supplies in the battle against COVID-19, which he said reflect the close ties between the two countries.

For her part, Cesana affirmed that despite the negative impacts of the pandemic, cooperation with Vietnam is still among priorities of France. She cited the official visit to France by Prime Minister Pham Minh Chinh, saying that it demonstrates France's commitment to enhancing investment, economic and trade cooperation with Vietnam.

The two sides took note of achievements in bilateral economic ties, including France's cumulative investment worth a total 3.6 billion USD in Vietnam by the end of 2021, ranking third among EU investors in the country.

They agreed that opportunities brought about by the EU-Vietnam Free Trade Agreement will promote Vietnam-France partnership in such fields as transport, energy transformation, aviation, agriculture, food industry and sustainable

development, while further facilitate market access for their enterprises.

The two sides exchanged notes on bilateral programmes and projects funded by French ODA, particularly the urban railway No.3 in Hanoi, which is considered a symbol of Vietnam-France ties and expected to be put into operation at the end of this year.

They also discussed in details possibilities for cooperation in agriculture and transport, the Long Thanh airport project and a scheme on forming an international farm produce wholesale market.

The Vietnamese side took the occasion to inform the French side on Vietnam's socio-economic development in 2021 and the five-year plan for 2021-2025.

4. Reviews set after Thu Thiem episode

Hot on the heels of Tan Hoang Minh Group's withdrawal from the auction bidding in Thu Thiem New Urban Area, the State Bank of Vietnam (SBV), together with its subsidiary, the SBV Banking Supervision Agency, formally sent a request to a number of lenders urging them to review and report on credit inflows to customers who engaged in the land use rights in the area.

Officials from commercial bank SHB last week voiced their confirmation that no credit had been granted to clients participating in the newly developed urban region of Thu Thiem. SHB is the second commercial bank to formally express its opposition to providing credit to those who participate in the land sale.

Previously, Vietcombank's officials also determined no credit extensions to firms related to the Thu Thiem land auction had taken place.

Elsewhere, the SBV issued Circular No.16/2021/TT-NHNN, replacing two previous circulars, regulates the purchase of corporate bonds by credit institutions and foreign bank branches, and is in effect since January 15.

"Looking closer at Circular 16, we find that the regulation focuses on three major perspectives: the

principle of buying and selling corporate bonds, internal regulations, and the responsibilities of credit institutions when buying and selling corporate bonds," Vietcombank Securities Company (VCBS) stated.

Specifically, the message is that the bad debt ratio is at a safe level and credit quality comes first. Corporate bond products also have strict regulations on selection criteria and trading principles. The regulator also paid special attention to internal regulations for periodic monitoring and evaluation, as well as giving more initiatives to the banks.

Notwithstanding, prior to the SBV's fresh restriction on corporate bond issuance, a consortium of firms participating in the Thu Thiem land auction borrowed around \$622.5 million from bond issuance in the second half of 2021.

According to the Vietnam Bond Market Association, the domestic corporate bond market saw a total of 80 domestic private placements in December alone, totalling \$2.9 billion in mobilised capital, making up for 14.5 per cent of the whole sector.

The central bank and commercial banks will continue to tighten their grips on high-risk lending

sectors such as stocks and real estate, as said earlier by the Deputy Governor of the SBV, Dao Minh Tu.

Recent findings by the SBV revealed in December showed the real estate sector only raised more than \$413 million via private bond issuances, mostly from those firms participating in the Thu Thiem land auction, lagging behind the banking group in terms of capital raised.

Minister of Finance Ho Duc Phoc also elaborated that bond issuance restrictions will be specifically implemented for property companies with losses and bad debts in order to prevent market disruption.

"In some cases, the amount of borrowed money from bonds exceeds the amount of issuers' equity, yet corporate bonds are nevertheless issued to raise cash. A disruption of the market, such as the land auction in Thu Thiem, is peculiar and unprecedented," the Minister assessed.

VCBS expressed its support for the new circular, stating that it will affect approximately 20 per cent of the new bond issuance. "The circular will direct credit institutions to trade quality corporate bonds, ensuring cash flow in the form of bond purchases or loans and, at the same time, managing credit risks that may arise in the future. These will be crucial components for the long-term buying and holding activities of credit institutions' corporate bond portfolios."

Simultaneously, the fresh stimulus package from the National Assembly was adopted earlier in mid-January. The package, worth around \$15.2 billion, is to assist socioeconomic recovery and development and is meant to be rigorously regulated with particular measures.

"If not, a part of this gigantic package would be shifted into risky landscapes, such as real estate," said economist Dinh Trong Thinh.

5. Manufacturing, IT firms rush to recruit workers

Electronics manufacturer Jabil Vietnam is recruiting 500 workers in Ho Chi Minh City, with a bonus of VND3.3 million (\$145.62) promised to each new employee.

Other companies in Saigon Hi-Tech Park Training Center, including drugs company Sanofi, along with electronics manufacturers Platel Vina and Intel are also looking for technicians.

HCMC companies need around 30,000 new workers before the annual Tet holiday, which falls in the first week of February this year, according to the city's Department of Labor, Invalids and Social Affairs.

After Tet, they need up to 75,000 more, it said, adding that information technology, electric and electronics are the main sectors recruiting.

A recent report by recruitment company Navigos shows that in the north, many new electronics manufacturing projects from China are looking to recruit staff.

But these factories have difficulties in finding the right people as they are located far away from big

cities and there are few fluent Chinese-speaking workers.

Navigos says there is large competition for workers in the IT industry, especially in artificial intelligence, Big Data and blockchain, due to the shortage of talents.

Since the last quarter financial companies are also looking for IT personnel, which shows the sector could post higher demand for these workers this year, the report said.

Global IT companies are investing in Vietnam by establishing representative offices or research and development centers in Hanoi, HCMC and Da Nang City, it added.

In manufacturing, multinationals are looking for senior Vietnamese leaders to hold key positions like director of the Asia Pacific region or Southeast Asia, Navigos stated.

"This shows Vietnamese capabilities have risen to secure key regional positions."

6. Steel industry expects rosy outlook for 2022

Many insiders believe that 2022 will be a promising year for the steel industry when the pandemic is brought under control and construction demand rebounds strongly.

Last year's crude steel output is estimated at 23 million tonnes, up 16 percent from 2020. Meanwhile, 33 million tonnes of finished steel products was manufactured and 29 million tonnes sold, respectively rising 19 percent and 16 percent, according to the Vietnam Steel Association (VSA).

Positive export results were recorded in 2021 when more than 14 million tonnes of finished and semi-finished steel products were shipped abroad, bringing home over 12.7 billion USD. However, domestic sales fell 11 percent year on year as a result of the coronavirus resurgence's impact.

VSA Vice Chairman Tran Tuan Duong, who is also Vice President of the Hoa Phat Group, said despite the lingering COVID-19 pandemic, the steel industry of Vietnam has still posted growth. Facing

stagnation in the domestic market, businesses have boosted exports, making the country a net exporter and the largest producer of steel in Southeast Asia.

Chairman of the association Nghiem Xuan Da held that 2021 was a favourable year for the steel sector of Vietnam and the world at large. As free trade agreements took effect and trade tensions between superpowers caused difficulties to the global market, it was a chance for the Vietnamese industry to join global supply chains.

Vietnam's steel market is forecast to have a better outlook in 2022 when the Government issued directions on stabilising and developing production and business activities flexibly adapted to the pandemic.

The VSA noted the Government's Resolution No. 01/NQ-CP, released on January 9, 2022, that details measures for socio-economic recovery and development will support the industry to grow more strongly this year.

7. Regional pandemic policy threatening to dampen supply chain improvements

Stephen Olson, research fellow at the Hinrich Foundation, told VIR, "Vietnam faces the likelihood of ongoing supply chain disruptions at least for the first half of 2022, especially with China. It appears that China has decided to prioritise pandemic mitigation over trade facilitation in advance of the Beijing Olympics and the 20th Party Congress later in the year."

While some joint efforts can be taken by Vietnam and China to ameliorate the recent backlogs at the border, China seems willing to accept short-term trade disruptions in order to ensure the smooth running of these two major events.

"Vietnam's living with COVID-19 strategy will have limited impact if its key trade partners maintain a zero-COVID strategy," Olson added.

He noted that the Omicron variant's impact on global supply chains will largely be a function of the length and severity of the lockdowns and border

closures that key trading countries put into place. Vietnamese companies should be prepared for the possibility of trade disruptions at least for the first half of the year and perhaps longer.

Tran Viet Huy, managing director of Tracimexco - Supply Chains and Agency Services JSC pointed out another challenge for Vietnam's logistics and supply chain industry in 2022. His company has to pay for higher input costs for fuel, warehouse rent, maintenance, and more. In particular, the company has to spend part of its budget on pandemic prevention expenses while labour costs stay the same. Therefore, it is making efforts to boost digitalisation and restructure its organisation.

Huy added, "Vietnamese logistics companies, most of which are small and medium-sized enterprises, are dealing with many obstacles from the pandemic. They really need the relief measures from the government and banks to boost recovery. However, we are quite optimistic about the prospect of the

logistics and supply chain industry in 2022. Given the emergence of new variants, we hope that the high vaccination coverage will help reduce the impact of lockdowns and alleviate supply chain strain.”

Despite the challenges, Vietnam’s supply chain is showing strong resiliency on the back of the recovery of manufacturing and export activities. The latest report by HSBC showed that supply chain disruption issues in Vietnam attracted the attention of the international community in 2021. In the third quarter of 2021, Vietnam recorded the largest manufacturing contraction for a decade. However, the manufacturing activities have started to rebound similar to early last year. Manufacturing activities grew by 8 per cent on-year in the fourth quarter and 6.4 per cent on-year for the whole year.

Meanwhile, Vietnam’s exports have quickly recovered and increased by 19 per cent on-year in the fourth quarter after a strict social distancing period in Q3. Both textile and footwear exports have rebounded similar to before the Delta outbreak. In

2021, Vietnam’s exports have been up 19 per cent mainly due to electronic and equipment exports. The increase reflects the rising global demand and stable supply chain in the northern region, which is home to some of the largest tech companies.

As the country pursues its coronavirus strategy, Vietnam’s supply chain disruption shows signs of easing with delays becoming less pronounced. Andrew Harker, economics director at IHS Markit, added, “The Vietnamese manufacturing sector ended 2021 in a steady growth phase. Client demand continued to improve in December, but the ongoing circulation of the pandemic is likely to restrict the pace of the recovery.”

One positive from the latest PMI survey, according to Harker, was that businesses were finally able to start rebuilding workforces, albeit marginally, overcoming some of the difficulties by attracting staff back to work. “While firms were generally confident about the outlook for output in 2022, the new Omicron variant adds a further layer of uncertainty for the months ahead,” he said..

Corporate News

8. KBC: Result of bond issuance

↓ -2.69%

Kinh Bac City Development Holding Corporation reported the result of bond issuance as follows:

- Bond code: KBCH2124003
- Bond term: 36 months from the issuance date
- Par value: VND100,000
- Total value of issue: VND1,000,000,000,000
- Issue date: January 11, 2021
- Ending date: January 14, 2022
- Maturity date: January 11, 2024.

9. TCH: Result of stock issuance for capital increase

↑ 1.57%

Hoang Huy Investment Financial Services Joint Stock Company has reported the result of a stock issuance to increase its share capital from the owner's capital:

- 1) Number of distributed shares: 49,493,875 shares
- 2) Number of distributed shareholders: 39,878 shareholders
- 3) Total current shares: 668,215,843 shares
- Outstanding shares: 668,215,843 shares
- Treasury shares: 0 share
- 4) Estimated trading date: on February 28, 2022.
- 5) Ending date: January 14, 2022.

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