



# VIETNAM DAILY NEWS



May 18th, 2022

**Table of content**

## **Table of content**

- 1. Market riding high thanks to tight supply**
- 2. HoSE to provide odd-lot trading starting from June**
- 3. Banks hike deposit interest rates on demand for funds, inflation**
- 4. PM visited New York Stock Exchange, urged cooperation for upgrading market**
- 5. Fed rate hike's impact on Vietnamese economy not significant**
- 6. Local gold regulation considered 'outdated' amid skyrocketing prices**
- 7. Domestic car market maintains sale growth in April**
- 8. MBB: Dragon Capital sells 2.8 million MB shares**
- 9. VIB: Announcement of the foreign ownership limit**

## Market Analysis

### 1. Market riding high thanks to tight supply

Benchmark indices were riding high on Tuesday as optimistic sentiment lifted stocks across the board.

The market's breadth was skewed in favour of bulls with advancers outnumbering decliners by 806 to 133.

On the Hồ Chí Minh Stock Exchange (HoSE), the benchmark VN-Index surged by 56.42 points, or 4.81 per cent, to reach 1,228.37 points.

The market's liquidity was lower than the previous session with 543 million of stocks traded on the southern bourse, equivalent to around VNĐ13.3 trillion (US\$575 million).

According to analysts, many holders revoked their selling orders amid strong buying forces, leading to tight supply and soaring prices.

Notably, the 30 biggest stock tracker VN30-Index gained 64.47 points, or 5.31 per cent, to end at 1,279.55 points. In the basket, 17 stocks climbed and 13 hit ceiling prices.

"VN-Index saw a lot of red on the screen in the morning. However, as selling pressure began to ebb away, buying forces built up, leading to a market pick-up since 10am," said the analysts.

Among ten stocks leading the market rallies, Bank for Investment and Development of Vietnam (BID) was the largest gainer yesterday, increasing by 7 per cent in market cap. Other rising stocks include PetroVietnam (GAS), Masan Group (MSN), VPBank

(VPB), Vietnam Dairy Products (VNM) and Hòa Phát Group (HPG).

By sector, banking stocks were the main contributor to the bullish market. Specifically, VPBank (VPB), VietinBank (CTG), Techcombank (TCB), Military Bank (MBB) and Sài Gòn-Thương Tín JS Bank (STB) were among banks with ceiling-priced stocks.

Benchmark indices were also driven up by manufacturing stocks with Masan Group (MSN) and Vietnam Rubber Group (GVR) hitting ceiling prices. The two stocks were followed by Vietnam Dairy Products (VNM) with 6.38 per cent and Hòa Phát Group (HPG) with 5.23 per cent.

In the realty sector, the trio stocks of the Vin family – Vingroup (VIC), Vinhomes (VHM) and Vincom (VRE) – also enjoyed upward trends due to high demand. Although a few stocks bucked the trend, notably Sunshine Homes (SSH) and Thaiholdings (THD), buying forces were so strong that green and purple stocks dominated the sector.

On the Hà Nội Stock Exchange (HNX), the HNX-Index climbed by 8.39 points, or 2.73 per cent, to 315.44 points.

Foreign investors withdrew from the market as they net sold a total VNĐ38.61 billion on two main exchanges. Of which, they net sold VNĐ27.76 billion on HoSE and VNĐ10.85 billion on HNX.

## Macro & Policies

### 2. HoSE to provide odd-lot trading starting from June

Investors will likely be able to perform odd-lot trading on the southern bourse starting from June after all necessary tests are completed.

An odd lot refers to an order amount lower than the normal unit of trading. Trading a number of shares from 1 to 99 is classified as odd lot trading.

Speaking on national television, Phạm Hồng Sơn, Vice Chairman of the State Securities Commission (SSC), said that SSC has directed the introduction of odd-lot trading.

The Hồ Chí Minh Stock Exchange (HoSE) is working with securities companies to test the system and will complete it next week.

After everything is accomplished, investors will likely be able to trade odd lots from early June.

Last week, HoSE asked member securities companies to test odd-lot trading from May 9 to 20. After the testing period, securities firm must submit their reports before May 25.

From the beginning of 2021, in order to minimise order congestion on stock exchanges, the regulator required all three exchanges – HoSE, the Hà Nội Stock Exchange (HNX) and UPCoM – to apply lots of 100 units, meaning that investors have to trade at least 100 shares, and they must be a multiple of 100.

With the odd-lot trading feature on HoSE, investors can only place orders to sell directly if securities firms provide this service.

### 3. Banks hike deposit interest rates on demand for funds, inflation

Many banks have increased deposit interest rates by 0.1-0.6 percentage points amid the growing demand for funds.

Last year the average interest rates on bank deposits for six months and 12 months were 4.7 per cent and 5.5 per cent, down half a percentage point from 2020, Bảo Việt Securities said.

The State Bank of Việt Nam said in 2021 rates were at their lowest level in five years.

But rates, especially at small- and medium-sized banks, have increased sharply since the beginning of this month.

Currently the peak rates are 6.5-7.4 per cent.

NamABank offers the highest rate for online savings even for small amounts. Customers depositing money via its e-banking application for 16-36 months can get 7.4 per cent interest. For 12 months it is 6.4 per cent.

Sài Gòn – Hà Nội Commercial Joint Stock Bank (SHB) has increased rates by 0.2-0.4 percentage points. For

36 months the rate is 0.4 percentage points up to 6.5-6.6 per cent. For 12-month terms it has increased from 5.7-5.8 per cent to 6.1-6.2 per cent.

Bản Việt Bank (Viet Capital Bank) has increased rates to a highest of 7 per cent for 24 months if deposited online and 6.8 per cent if deposited at the counter.

Eximbank, VPBank, Techcombank, OCB, SCB, LienVietPostBank, HDBank, and ACB have also increased their rates.

According to data from the State Bank of Vietnam, deposits increased by 1.38 per cent to nearly VNĐ11.2 quadrillion in the first two months of 2022, with individual customers accounting for VNĐ5.46 quadrillion and corporate customers for VNĐ5.63 quadrillion.

Last year deposits by individuals declined as many withdrew to invest in more attractive asset classes amid low deposit interest rates.

Experts said the increase in deposit interest rates comes at a time when credit demand is rising significantly.

Loans outstanding were 5.04 per cent at the end of March from a year earlier as demand for capital grew to serve production and business after a long period of stagnation due to the COVID-19 pandemic.

VNDirect Securities Company said inflationary pressure and fierce competition from other asset classes such as real estate and securities would force deposit interest rates up.

This year it forecasts deposit interest rates to rise by 0.3-0.5 percentage points to 5.9-6.1 per cent.

#### 4. PM visited New York Stock Exchange, urged cooperation for upgrading market

Prime Minister Phạm Minh Chính held a working session at the New York Stock Exchange (NYSE) on May 16 (local time) as part of the trip to the US.

In meeting the NYSE executives, including the NYSE President Lynn Martin, the Vietnamese PM expressed his pleasure to visit the largest stock exchange in the world in terms of market capitalisation, and thanked them for the warm welcome received from the NYSE and the privilege to ring the bell to end the trading session of May 16.

PM Chính stressed that Việt Nam is cracking down on the violations of a few unscrupulous investors in the country's own stock markets to ensure its integrity, security, transparency, and sustainable development.

PM asked the NYSE to cooperate and share experience in making an effective stock market in Việt Nam as well as the country's ambition to be a regional-level financial centre, foster the win-win partnership between NYSE and Vietnamese agencies and companies, contributing to the development of the US-Việt Nam comprehensive partnership.

On the occasion, PM Chính witnessed the awarding ceremony of two cooperation documents in the fields of finance, banking and investment funds between Vietnamese and US partners, including a cooperation document between Việt Nam's State Securities Commission and the NYSE regarding the support to upgrade Việt Nam's stock market and build a mechanism for investors to participate in the two stock markets.

#### 5. Fed rate hike's impact on Vietnamese economy not significant

The latest interest rate hike by the US Federal Reserve (Fed) will weigh on the global economy, including Việt Nam, but experts expect impacts of the Fed's move on the country will not be significant.

The Fed last week raised its benchmark interest rate by half a percentage point, the most aggressive step yet in its fight against a 40-year high in inflation.

Banking and finance expert Cấn Văn Lực, chief economist of the Bank for Investment and Development of Vietnam, told Việt Nam News that the Fed's move in theory will affect the country's economic growth, foreign debt payment obligations, exchange rate and foreign investment.

"The Fed's move may push up the global interest rate and slow global economic growth, which will reduce the demand for Việt Nam's export goods. It therefore will slow the country's economic recovery in the context that the import-export turnover per GDP of Việt Nam stays high at around 185 per cent in 2021 and the US is Việt Nam's top import partner with an import revenue of \$96.3 billion in 2021, accounting for 28.6 per cent of Việt Nam's total export turnover," Lực said.

In addition, borrowing costs of the Vietnamese Government and its firms will increase when the US dollar strengthens against the Vietnamese đồng in the wake of the Fed's interest rate hike, Lực said.

"The Fed's move can also impact foreign investment capital flows, especially foreign indirect investment, because some foreign investors will be concerned about risks and they will withdraw their capital from emerging markets to invest in the US and other developed markets to shelter the risks and enjoy higher interest rates."

However, Lực forecast the foreign capital withdrawal, if any, will not be much in the Vietnamese market. In the first four months of this year, foreign investors only net sold nearly VNĐ2.5 trillion, equivalent to nearly \$110 million, in the Vietnamese stock market, because Việt Nam is still considered an attractive investment market with political and macro-economic stability, and high potential economic growth of some 6-6.5 per cent in the 2022-23 period.

The country's foreign exchange rate is also expected not to be affected significantly by the Fed's move.

While most currencies of developing countries have fallen against the dollar in the wake of the Fed's interest rate hike last week, the đồng has remained unchanged.

The US dollar index continues to rise by 0.5 per cent this week, resulting in depreciation of emerging market currencies, of which the Chinese yuan fell by 1.1 per cent; Indian rupee, 0.6 per cent, and Thai baht, 0.34 per cent. However, the đồng remains stable, hovering around VNĐ22,960 per dollar.

Analysts from the Saigon Securities Incorporation (SSI)'s Research attributed the stabilisation of the đồng to the abundant supply of the greenback in the country thanks to rising trade surplus, foreign direct investment and remittance sources.

Banking expert Dr. Châu Đình Linh said Việt Nam's foreign reserve hit a record high of nearly \$110 billion to date and will keep rising. The value, which is four times higher than in 2015, will be an important buffer to help the country's economy withstand external shocks and contribute to stabilising the macro-economy and strengthening foreign investors' confidence.

Meanwhile, according to reports from the General Statistics Office, Việt Nam's trade surplus to the US

and foreign direct investment disbursement in the first four months of this year have been positive, hitting \$2.5 billion and \$5.9 billion, respectively.

Overseas remittance also rose by 14 per cent to \$1.8 billion in the first quarter, according to the State Bank of Vietnam.

Linh estimated the country's remittances to reach \$18.9 billion in 2022 as they have seen an average growth rate of 4.4 per cent per year in the past three years.

### **Ready to take action**

However, experts said the Government needs to be cautious with the Fed's next moves to take effective measures to minimise adverse impacts as the Fed and other central banks around the world are still tending to tighten monetary policy and increase interest rates.

The Economist Intelligence Unit expects the Fed to raise rates seven times in 2022, reaching 2.9 per cent in early 2023. Starting in June, US officials also plan to shrink their \$9 trillion asset portfolio, a policy move that will further push up borrowing costs.

According to Lực, it is necessary to continue strengthening the coordination of monetary and fiscal policies and price management in order to stabilise the macro-economy.

"Flexible monetary policy scenarios should be mapped out to deal with stronger monetary policy tightening that can be taken by the Fed and major central banks," Lực suggested.

Besides, relevant authorities need to develop a suitable roadmap for price hikes of goods under the management of the State such as petrol, electricity, healthcare and education to better control inflation, he said.

In addition, the Government should monitor and evaluate foreign debt obligations when the Fed raises interest rates in order to give warnings to firms that have foreign debts, besides continually managing the foreign exchange market proactively and flexibly to stabilise the exchange rate..



## 6. Local gold regulation considered 'outdated' amid skyrocketing prices

With the price of a tael of gold in Việt Nam more than US\$800 higher than in the rest of the world, local experts say the local regulation of gold prices is unsuitable.

Sliding about VNĐ1 million, a tael of the national SJC-branded gold prices stayed at VNĐ69.5 million (\$3,021).

On Kitco.com, at the same time, prices of an ounce of gold slid to \$1,812 or \$2,183 per tael (1.2 ounces).

A tael of gold in Việt Nam was \$838 higher than the global price on May 16.

In February 2020, the gap between prices for a tael of gold was about VNĐ2 million (\$86), nine months later, the gap was doubled to VNĐ4 million (\$172). At the time, experts considered such a disparity to be unusual. This caused concern about the exchange rate and restrictive policies in buying and selling gold.

However, by February 2021, the gap had widened to VNĐ8 million, and many experts said the country's gold market was disconnected from the world.

Huỳnh Trung Khánh, deputy chairman of the Vietnam Gold Business Association, said: "Việt Nam has not imported gold for 10 years, the supply is scarce, and the gap between the world gold price and SJC gold has jumped to a record high."

In the market, the sky-high difference only happened with SJC gold bars, other types of 9999 gold of domestic enterprises have a small difference, quite close to the world price, fluctuating at near VNĐ4 million (\$172).

According to insiders, in 2012 when the Decree 24 on the management of the gold business was issued by the State Bank of Việt Nam (SBV), SJC was chosen as the national brand of gold bars while other types of gold rings and gold jewellery were not.

The director of an enterprise said that at present, SBV does not allow the import of raw gold for making gold bars, so the difference between the

domestic and international gold prices was caused by the shortage of raw gold materials.

Meanwhile, gold for jewellery has an abundant supply, so the price does not rise too high compared to the world price, even with increased demand.

Economic expert Đinh Trọng Thịnh said that Decree 24 has contributed to combating the "goldenisation" of the economy. However, the regulations on monopoly gold bars were no longer appropriate as the difference between the world and domestic gold prices was at a record high.

Thịnh said: "In actual operation, Việt Nam must make adjustments so that the domestic gold market connects with the world, reflected in the reasonable export and import of gold. Moreover, Việt Nam has accepted the market economy, and it is necessary to build a gold market according to international practices."

Economist Ngô Trí Long said that Decree 24 was born appropriately at the time of its issuance, especially in the context that the gold price has a great impact on the macro-economic situation and monetary policy.

He added: "Decree 24 has many shortcomings. It should be amended. SBV has held many meetings and discussed amendments, but it still stands."

Long said if the gap between the world and domestic price continued, gold smuggling would return and lead to a loss of foreign currency. Therefore, the SBV needs to have timely solutions to narrow the gap and reduce demand pressure.

"The domestic gold price is not in line with international practices. Since the central bank has a monopoly on SJC gold bars, Việt Nam only has one gold brand," said Long. "No country has only one brand of gold like that."

Director of AnVi Law Firm Trương Thanh Đức said that Decree 24 on gold business management was born necessary to combat the risk of "goldenisation" and "dollarisation" of the economy at the time of issuance, but up to now, the authorities needed to

consider and amend the Decree to be appropriate in the new situation.

Đức considered that though SBV recognised the shortcomings, its adjustments were slow, and the domestic gold market was still distorted, causing damage to consumers.

He said: "Though there is a roadmap for amending Decree 24 on gold business management, it has been delayed. Such matters seem not to affect the banking industry like it has for the gold association and gold investors."

The Vietnam Gold Traders Association has repeatedly submitted petitions to SBV on the replacement of Decree 24, asking the central bank not to produce gold bars nor use SJC gold bar as the exclusive brand but instead license several eligible businesses to produce gold bars and be responsible for their trademarks according to the volume,

quality standards and weight registered with the State management agency.

The association also recommends the establishment of a national gold exchange to create a connection between the domestic gold price and the international gold price.

It said the exchange was established with the goal of minimising physical gold transactions, mobilising gold sources from the people, increasing national gold reserves, minimising cash payment for gold trading, increasing business tax revenue, and eliminating illegal gold exchanges.

In response, SBV's authorities said they still saw the risks and complexity of such exchange as it related a lot to foreign currency issues and management mechanisms and could create "goldenisation" in the economy, adding the amendment of Decree 24 should take time to resolve.

## 7. Domestic car market maintains sale growth in April

Members of the Việt Nam Automobile Manufacturers Association (VAMA) sold 42,359 autos in April, up 14 per cent on the month and 40 per cent on the year, according to a recent VAMA report.

This was the second consecutive month of this year when VAMA members had witnessed an auto sales growth. In March, the growth rate was 60 per cent.

In April, passenger car sales surged 18 per cent on month to 33,588, while 7,795 commercial vehicles found customers, up 2.6 per cent, and 776 special-use cars were sold, up 15 per cent, according to a VAMA report released on May 12.

Sales of domestically-assembled cars and completely built-up (CBU) cars surged by 16 per cent to 25,269 units and 13 per cent to 17,090 units in the month, respectively.

Apart from VAMA members, non-member automakers Thành Công Motor and VinFast sold 6,959 units and 2,427 units last month.

In the first four months of 2022, VAMA members sold 132,865 units, up 31 per cent year on year, of

which passenger cars were up by 47 per cent, commercial vehicles up by 8 per cent and special-use vehicles up by 19 per cent.

During the period, sales of domestically-assembled cars and imported CBU cars increased by 38 per cent to 79,442 and 22 per cent to 53,423 year-on-year, respectively.

The market performance showed that in the first four months of 2022, the auto sale of VAMA members maintained relatively high growth. Especially, the growth rates of domestically-assembled cars in April and the first four months were higher than the levels of CBU imported cars.

Consumers continued to buy domestically-assembled cars to enjoy an incentive of a 50 per cent reduction in registration fees according to the Government's Decree 103/2021/NĐ stipulating the registration fee level for domestically manufactured and assembled automobiles. This registration fee reduction has been applied from December 1, 2021, to May 31, 2022.

This policy pushed the auto consumption up and made some imported car brands lower prices or

increase promotions to compete with domestically assembled cars.

According to representatives of some auto companies, the car sales in April and the first four months of 2022 had remarkable growth rates due to economic stability and the well-controlled pandemic.

However, manufacturers are still facing a global semiconductor crisis. The global lack of chips and high-tech components significantly affected car manufacturers. That led to a short supply of some car models in the market.

That situation made some car manufacturers and dealers adjust car selling prices and hoard some hot car models.

Experts said the domestic auto market will continue to grow strongly following months due to the controlled COVID-19 pandemic in Việt Nam and the reduction of 50 per cent in registration fees for domestically manufactured and assembled cars until the end of May.

The auto sales on the domestic market are expected to reach the milestone of 500,000 vehicles this year.



## Corporate News

### 8. MBB: Dragon Capital sells 2.8 million MB shares

↑ 6.91%

Asset management company Dragon Capital has sold 2.8 million shares of Military Commercial JSB (MBBank).

Based on Monday's closing price of VND24,600 (US\$1.06), the transaction is estimated to be worth around VND70 billion.

But funds under Dragon Capital still own 186.8 million shares or a 4.94 percent stake in MBBank.

Japan Asia MB Capital, another investment fund, has also registered to sell 393,000 shares of MBBank this month.

Vietnam-focused Dragon Capital manages around \$2.9 billion in assets.

MB's share price has dropped 30 percent within a month, tracking the fall of the general market.

### 9. VIB: Announcement of the foreign ownership limit

↑ 4.11%

On May 12, 2022, the State Securities Commission (SSC) approved the foreign ownership limit of Vietnam International Commercial Joint Stock

Bank (VIB). Accordingly, the foreign ownership limit at VIB is 20.5%.

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