



VIETNAM DAILY NEWS

June 27th, 2022



Table of content

Table of content

1. VN-Index ends week with 4th losing session
2. Seafood exports rise 25 percent
3. HCMC to cut social housing approval time by 75 pct
4. Hourly rise in airfares as summer demand surges
5. Government seeks to resolve businesses' capital shortage
6. Chemical firms see growth potential thanks to rising selling prices
7. Banking shares plummet to attractive prices
8. VPB: Notice of foreign ownership ratio limit
9. CMX: Stock issuance for increasing capital

Market Analysis

1. VN-Index ends week with 4th losing session

Vietnam's benchmark VN-Index dropped 0.29 percent to 1,185.48 points Friday, closing the week with four falling sessions.

The index closed three points lower after gaining nearly 20 points Thursday. It has lost nearly 32 points this week.

Trading on the Ho Chi Minh Stock Exchange increased by 0.2 percent to VND10.18 trillion (\$437.71 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 14 tickers drop.

POW of electricity producer Petrovietnam Power Corporation fell 2.5 percent, while GAS of state-owned Petrovietnam Gas dropped 2.4 percent.

Other losers included HDB of HDBank, down 2.1 percent, CTG of state-owned lender VietinBank,

down 2 percent, and TPB of private TPBank, down 1.9 percent.

Thirteen blue chips gained, led by BVH of insurance company Bao Viet Holdings with a 4 percent rise.

It was followed by SAB of brewer Sabeco, up 1.4 percent, and PNJ of Phu Nhuan Jewelry, up 1.2 percent.

Foreign investors ended three sessions of buying with a net sale of VND82 billion, mainly selling NVL of real estate developer Novaland Group and HPG of steelmaker Hoa Phat Group.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 0.45 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 0.46 percent.

Macro & Policies

2. Seafood exports rise 25 percent

Vietnam exported US\$1.7 billion worth of seafood in the first five months, up 25 percent year-on-year, thanks to rising global demand.

The highest growth items included tuna (59 percent), shellfish (47 percent) and octopus (28 percent), according to data from the Vietnam Association of Seafood Exporters and Producers.

Japan and France were the top markets for crabs, accounting for 91 percent of exports.

Exports to the U.S. also recovered as the country reopened after Covid-19.

Insiders said growth was driven by global demand and the Russia-Ukraine conflict.

But high costs affected production and supply, they said, adding that a shortage of raw material was the biggest challenge for exporters.

3. HCMC to cut social housing approval time by 75 pct

Ho Chi Minh City is set to cut the time it takes to approve social housing projects from 500 days to 133 days.

The current length of 17 months does not encourage developers to invest in social housing, which the city is seeking to boost, the city's chairman, Phan Van Mai, said at a recent meeting.

Each department would have a deadline, and whichever delays the process would be held responsible for it, he warned.

Last week, deputy director of the city Department of Construction, Huynh Thanh Khiet, said the administrative procedures for social housing are too long and complicated, which causes property companies to lose interest.

There are more difficulties in developing social housing projects than commercial ones, he added.

Thirteen projects for which land has been acquired and cleared have not been able to begin construction.

HCMC, the country's biggest city, developed over 1.2 million square meters of social housing between 2016 and 2020, enabling 66,000 people to have a home.

These are in 19 projects, but only one of them was built for workers.

The city has 1.3 million workers requiring housing, but apart from 3 percent of them who live in dormitories in industrial parks, most live in small rented houses.

4. Hourly rise in airfares as summer demand surges

Airfares have risen in the last several months, with customers reporting hikes within hours, as summer travel demand booms after two years of Covid-19.

HCMC resident Hanh was trying to book round-trip tickets to Phu Quoc a month earlier, but the travel agent quoted new prices every time she called.

She said airfares for three people and one child rise from VND11 million (\$473) to VND12 million in 10 minutes, and to VND13 million a few hours later.

Hoa of Da Nang City said the cost of a round-trip to HCMC tripled to VND2.3 trillion within two months.

She said that the longer she waited for the price to drop, it did the opposite.

The most expensive domestic route, Hanoi-Phu Quoc, has seen round-trip ticket prices rise 20-30 percent to VND5-7.5 million from last month.

Airfares from Hanoi and HCMC to Da Nang, Nha Trang and Quy Nhon have risen by over 25 percent in the last several months.

International airfares have also risen by 25-30 percent, with the HCMC-South Korea and HCMC-San Francisco route recording prices of VND10-13 million and VND41-45 million, respectively.

Vietnam Airlines head of communications Dang Anh Tuan said cheap tickets run out soon after the airline opens booking in the summer due to high demand.

Another reason is that fuel prices have doubled, he added.

A media representative for budget airline Vietjet said fuel accounts for around 40 percent of operating costs. When fuel prices crossed \$100 per barrel, airlines' operating costs increased by 50 percent, she added.

Several carriers have said they will increase the number of flights to meet rising travel demand, but did not provide specifics.

Vietnam Airlines will operate 36,000 flights from June to mid-August, while Vietjet will conduct around 450 flights a day this summer, most of them domestic.

Bamboo Airways has said it would increase flights to have the number of seats on offer rise by 15 percent, focusing on routes to Phu Quoc, Da Nang, Nha Trang and Quy Nhon.

It will also have more evening flights to reduce pressure at airports during peak hours, the carrier said.

5. Government seeks to resolve businesses' capital shortage

A Ho Chi Minh City programme to link banks and businesses has seen around 93 trillion VND (3.97 billion USD) disbursed so far this year to help revive the economy which was battered for two years by the COVID-19 pandemic.

Tran Du Lich, a member of the prime minister's economic advisory group, said the programme was one of the best ways to help businesses access resources to fund their recovery.

Analysts say credit growth has risen sharply, indicating the efforts made by credit institutions to supply the economy with capital, and some banks have reported using up their full-year quota in just four to five months.

Amid the rapid economic recovery, many businesses say they need more funds to supplement their working capital and expand. For small and medium-sized enterprises, banks remain the main source of capital, and it does not help their cause when lenders run out of credit room.

With more than 95% of the country's enterprises being small or medium sized, this is a widespread difficulty.

Lich said to meet businesses' capital needs the Government needed to help diversify sources.

It introduced a 350 trillion VND recovery programme and 2 percent interest rate subsidy worth 40 trillion VND, he said, adding it should accelerate these programmes and even consider further support to businesses.

In May, the Government announced it will subsidise interest on credit for companies, co-operatives and business households.

Besides, it has reduced corporate income tax, VAT and personal income tax and waived fines for late payment of taxes by businesses facing difficulties.

The support package is worth a total of 21.3 trillion VND.

These measures could not help businesses recover immediately, but would provide great support, experts said.

6. Chemical firms see growth potential thanks to rising selling prices

Thanks to their good growth potential and attractive valuation, chemical stocks are being included in the portfolios of investors.

The stock market last week recorded four out of five declining sessions, of which the first session of the week recorded the strongest decline with the VN-Index losing more than 57 points. Some investors see this as an opportunity to hunt for cheap stocks.

Phạm Đình Công from Hà Nội told tinnhanhchungkhoan.vn that he had taken the opportunity to buy some stocks in the past week, prioritising the enterprises with good financial status and growth potential, such as the chemical group.

According to ACB Securities Company (ACBS), in May 2022, the industrial production index of the chemical group continued to grow by 5 per cent. Rising selling prices from the beginning of the year until now are the main growth driver of this group.

In the first quarter of this year, a series of chemical enterprises reported sudden increases in profits. Đức Giang Chemical Group Joint Stock Company (DGC) reported a profit of VNĐ1.51 trillion (US\$67.7 billion), the highest since its inception, up 418 per cent over the same period last year. South Basic Chemicals JSC (CSV) reported a 3-time higher profit than the same period last year thanks to a sharp increase in output and selling prices, completing 56 per cent of the yearly plan. Việt Trì Chemical JSC (HVT) achieved a profit of VNĐ36 billion (\$1.55 million), four times higher than last year.

Experts forecast that this growth momentum will continue in the future. Mirae Asset Vietnam Securities Company said that the gradual reduction of heavy industrial products by China, as well as partial closure of the country under the influence of the COVID-19 pandemic, has reduced the long-term supply of many chemical products. World prices of phosphorus continued to rise, the company said.

In fact, the price of phosphorus has increased by nearly 40 per cent in the first two months of this year and has not stopped. The price of nitric acid, a chemical used in fertiliser production, increased continuously since March, up by 26 per cent.

In 2022, Đức Giang Chemical Group Joint Stock Company (DGC) sets a target of VNĐ12.1 trillion in revenue and VNĐ3.5 trillion in profit after tax.

Meanwhile, the South Basic Chemical Joint Stock Company (CSV) aims to achieve revenue of VNĐ1.74 trillion and profit after tax of more than VNĐ251 billion this year. Thus, at the end of the first quarter, the company has completed 28 per cent of its revenue target and nearly 56 per cent of its profit target for the whole year. Việt Trì Chemical (HVT) also fulfilled 56 per cent of its annual profit target in the first three months of this year. This year, HVT sets a pre-tax profit target of only VNĐ80 billion.

Analysts forecast that the business results of the second quarter of chemical businesses will continue to flourish.

Chemical enterprises are planning to expand growth. In early June, Đức Giang Chemical Group Joint Stock Company (DGC) invested in two projects in Đắk Nông Province, including the Đức Giang- Đắk Nông fertiliser factory and Đắk Nông aluminium complex project with total investment capital of VNĐ300 billion.

Đức Giang- Đắk Nông fertiliser factory is expected to be built in 12 months. The plant will produce NPK fertiliser with a capacity of 200,000 tonnes per year and will produce potassium sulfate with a capacity of 4,800 tonnes per year.

For the Đắk Nông aluminium complex project, the exploitation scale is expected to be about 14.4 million tonnes of bauxite ore per year. The complex will have three ore sorting plants with a capacity of 5.8 million tonnes of refined ore per year. The total investment of the two phases is VNĐ57 trillion.

According to the Ministry of Industry and Trade, many companies have focused on investing in technology to promote growth. For example, Lâm Thao Fertilisers and Chemicals Joint Stock Company has implemented its project to convert sulfuric acid production technology from single absorption to double absorption. The South Basic Chemical Joint Stock Company and the Việt Trì Chemical Joint Stock Company have applied the electrolysis technology of sodium hydroxide ion exchange membrane.

In the draft of the Việt Nam Chemical Industry Development Strategy to 2030 that the Ministry of Industry and Trade is submitting to the Government, the chemical industry is developed in both width and depth.

Not only meeting domestic demand, businesses in the industry will boost exports, forming a value chain to deeply participate in the industrial production network of the region, aiming for green economic growth.

Currently, the market price of chemical stocks is seeing corrections which are considered to be cheap compared to the intrinsic potential of the businesses. In the long term, this is an industry group with stable and sustainable growth, bringing benefits to investors, said Nguyễn Thế Minh, research director of Yuanta Securities Vietnam.

He said that chemical stocks are one of the groups benefiting from the recovery of the economy.

7. Banking shares plummet to attractive prices

The banking industry may have a hard time reaching its 2022 profit growth targets, but share valuations have dropped significantly to attractive prices.

In the past three months, banking shares witnessed sharp declines and were among the most negatively impacted on the stock market. Most banking stocks decreased by over 30% and there was no single bank seeing positive growth.

The decline was attributed to stricter control of credit flows, increasing bad debts mainly caused by real estate businesses, corporate bond inspection at banks and inflationary pressure which have affected investor sentiment.

However, after a series of deep declines, many banking stocks are rebounding strongly in recent sessions. This brings hope to many investors in this industry group.

In a newly released report, FiinGroup said that the total operating income of 27 listed banks in the first quarter of 2022 increased by 8.2% compared to the previous quarter. Compared to the same period last

year, total operating income increased by 22.2% and only three banks recorded a decline, the others grew positively.

Net income from services decreased by 12.1% compared to the previous quarter after increasing sharply in Q4 of 2021, but still up by 14% compared to Q1 of 2021. The high quarter-on-quarter growth of the remaining activities came from other activities (83.3%), foreign exchange (21.7%), while income from securities dropped sharply (-52.7%).

Profit after tax of 27 listed banks increased by 51% compared to the previous quarter and up by 31% compared to the same period in 2021.

Non-performing loans are gradually increasing and may continue to rise in the coming quarters as banks gradually shift restructured debts to the right debt groups. FiinGroup believes that this will put pressure on some banks, especially those with low NPL coverage ratios and not enough provisioning. Meanwhile, banks that have actively made provisions with a high NPL coverage ratio will not be of concern.

Corporate News

8. VPB: Notice of foreign ownership ratio limit

↓ -1.05%

According to the Official Document No.3904/UBCK-PTTT dated June 22, 2022 by the Vietnam Securities Commission of Vietnam (SSC),

SSC approved that the foreign ownership ratio limit of VietNam Prosperity Joint Stock Commercial Bank (VPB) will be 17.602%.

9. CMX: Stock issuance for increasing capital

↓ -0.86%

On June 23, 2022, Camimex Group Joint Stock Company announces the stock issuance for capital increase from the owner's equity with details as follows:

- Stock name: Camimex Group Joint Stock Company
- Stock type: common share
- Par value: 10,000 dong
- Number of shares issued: 90,817,502 shares
- Number of outstanding shares: 90,817,502 shares

- Number of treasury shares: 0 share
- Number of shares expected to be issued: 9,081,750 shares
- Total value (based on par value): 90,817,500,000 dong
- Issue ratio: 10:1
- Plan to deal with fractional shares: The distributed shares will be rounded down to units, the fractional shares will be cancelled.
- Record date: July 29, 2022.

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