



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index hits a month high

Vietnam's benchmark VN-Index surged 1.28 percent to 1,307.91 points Wednesday, its highest since May 9, with 76 percent of tickers rising.

The index stayed in the green for most of the day and closed 16.56 points higher after gaining marginally in the last two sessions.

Trading on the Ho Chi Minh Stock Exchange fell by 6 percent to VND16.76 trillion.

The VN-30 basket, comprising the 30 largest capped stocks, saw 21 tickers gain, with two hitting the ceiling price.

STB of HCMC-based lender Sacombank and GVR of Vietnam Rubber Group both rose by 6.9 percent.

They were followed by POW of Petrovietnam Power and VPB of private lender VPBank with a 4.4 percent gain.

Other winners included SSI of leading brokerage SSI Securities, up 3.9 percent, and MBB of MBBank, up 3.7 percent.

Seven blue chips bucked the trend, led by VCB of state-owned lender Vietcombank with a 2.2 percent fall.

BVH of insurance company Bao Viet Holding lost 1.2 percent, and HPG of steelmaker Hoa Phat closed 0.9 percent lower.

Foreign investors were net buyers for the third straight session to the tune of VND270.08 billion. They focused on buying DCM of Petro Vietnam Ca Mau Fertilizer and DPM of Petrovietnam Fertilizer & Chemicals.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, rose by 2.23 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 1.40 percent.

The HNX-Index for stocks on the Hanoi Stock Exchange, home to mid and small caps, gained 2.2 percent, while the UPCoM-Index for the Unlisted Public Companies Market rose 1.4 percent.

Macro & Policies

2. Trade turnover surges over US\$42 billion in five months

Vietnam's total import-export value during the opening five months of the year reached US\$306.16 billion, a rise of 16% or equivalent to a US\$42.2 billion increase against the same period last year, according to statistics released by the General Department of Vietnam Customs.

Most notably, the country's import and export value during the second half of May soared by 24.2% to US\$35.17 billion, equal to US\$6.86 billion compared to the first half of May.

Of the figure, total import-export value of foreign-invested enterprises during the five-month period reached US\$211.43 billion, up 15.2%, while the trade value of domestic enterprises rose by 17.7% to reach US\$94.73 billion against the same period last year.

Furthermore, a number of commodity groups recorded high export growth during the second half of May, including computers, electronic products and components, up 68%, machinery, equipment, tools and spare parts, up 42.2%, garments and textiles, up 37.5%, phones & accessories, up 22.9%, and footwear of all kinds, up 44.4%.

Meanwhile, high import value was seen in commodity groups such as computers, electronic products and components, up 10.6%, other machinery, equipment, tools & spare parts, up 14.3%, and chemicals, up 34.6%

During the five-month period, the country's total export value reached US\$153.3 billion, up 16.7%, equivalent to US\$21.9 billion against the same period last year, while total import value soared by 15.3% to US\$152.86 billion.

3. Outstanding value of corporate bonds equals 3 percent of total outstanding credit

Total outstanding value of corporate bonds by the end of April 2022 reached 320.4 trillion VND (13.8 billion USD), accounting for a small proportion of the country's total outstanding credit of 2.86 percent, according to the State Bank of Vietnam.

The State Bank reported that by the end of April 2022, credit for securities investment and trading accounted for about 0.5 percent of the total outstanding loans of the economy, 98 percent of which were short-term loans, focusing mostly on outstanding loans to invest in Government bonds.

In order to control risks related to securities and corporate bonds and to ensure the safety of the credit institution system, the State Bank is gradually completing a legal framework with stricter regulations to control risks in bond investment activities of credit institutions while enhancing the safety of the system.

The State Bank will strengthen the inspection, examination and strict supervision of credit granting in the securities sector and corporate bond investment by credit institutions in order to

promptly detect any potential hidden risks and take appropriate measures.

According to the State Bank, this agency has directed credit institutions to review and reassess credit granting, strengthen risk management measures, and improve the effectiveness of internal inspections.

The risks in the securities market mostly arise from the operations of businesses listed on the market and bond issuers. Therefore, it is necessary to have comprehensive and synchronous coordination among relevant ministries and branches to filter and consolidate the stock market as well as the corporate bond market.

In addition to the positive results, the recent rapid growth of the stock market and the bond market had created potential risks such as the phenomenon of price manipulation in the stock market and risks in the corporate bond market, said Pham Hong Son, Vice Chairman of the State Securities Commission at the seminar on Development of Capital Market and Real Estate Market in the framework of the 4th

Vietnam Economic Forum, held recently in HCM City.

He said many investors, especially individual investors, did not fully understand the law on investment and transactions of individual corporate bonds, adding that the quality of service providers had not been in uniform.

This posed a requirement for the management agency including the Ministry of Finance and the SSC, to further promote measures to manage, supervise and make some adjustments and modifications.

Son said the SSC would continue to maintain market management to ensure safe and transparent operations and protect the legitimate rights and interests of investors.

"First, SSC will continue to improve the legal framework for the market in the direction of enhancing transparency, developing stably and sustainably," he said.

In the immediate future, the SSC will be active in putting new regulations and policies into the Law on Securities and guiding documents into practice while continuing to improve the legal framework, focusing on completing the development strategy of the stock market to 2030.

SSC will also promote the equitisation and divestment process of State-owned enterprises.

For the government bond market, it will develop a standard market meeting the demand for capital

mobilisation for the State budget and supporting the restructuring of the budget and public debt in a safe and sustainable direction, ensure the mobilisation of resources for the socio-economic development plan and the economic recovery.

For the corporate bond market, SSC is focusing on developing a transparent secondary market, building market standards, clearly separating between bonds issued to the public and privately issued.

Son added: "In the immediate future, the SSC is actively directing and coordinating with the stock exchanges and the Securities Depository Center in building and putting into operation the trading floor for private issued corporate bonds; promoting the public supervising the use of money from bond mobilisation and information disclosure and bond trading on the Hanoi Stock Exchange's information disclosure system."

The SSC will continue to restructure securities companies and fund management companies according to the project approved by the Prime Minister, review, classify, develop plans for each company to take appropriate measures, research and digitalise financial assets on the stock market, apply financial technologies, improve the quality and professional ethics of the team of securities practitioners.

For auditing organisations, price appraisal organisations, credit rating agencies, SSC will coordinate with units of the Ministry of Finance to improve the morality and quality of services of these organisations; encourage service providers on the stock market to implement fintech applications.

4. Legal framework for securities, corporate bond investment, business strengthened: SBV Governor

Governor of the State Bank of Vietnam (SBV) Nguyen Thi Hong has submitted a report to National Assembly (NA) deputies on issues raised during the Question-and-Answer session, including credit management and control in potentially risky areas, especially securities lending, corporate bond issuance and real estate.

According to the report, by April 2022, credit for securities investment and trading accounted for about 0.5 percent of the total outstanding loans of the economy, mainly short-term loans (98 percent). By the end of April, the total outstanding debt of investment in corporate bonds of credit institutions was 320.4 trillion VND (13.8 billion USD), accounting for 2.86 percent of the total outstanding credit balance, which demonstrates that investment

activities in corporate bonds of credit institutions are still under control.

In order to control risks related to securities and corporate bonds, Hong said the SBV has gradually improved the legal framework with stricter regulations, and strengthen inspections and supervision over the supply of credit in the fields of securities and corporate bond investment.

The central bank will continue to study and revise regulations on buying and selling corporate bonds of credit institutions, improving their governance requirements and standards when participating in the corporate bond market to contribute to ensuring the safety of banking activities, and sustainably develop the market.

It will also maintain close coordination with ministries and sectors to accelerate the implementation of solutions to restructure and sustainably develop financial market segments, including the corporate bond market, to make the

market become a major medium- and long-term capital mobilisation channel of the economy.

Regarding loans for real estate investment and business, the central bank said that by the end of April, the total outstanding loans for the real estate sector of credit institutions reached nearly 2.29 quadrillion VND, a year-on-year increase of 10.19 percent, accounting for 20.44 percent of the total outstanding loans of the economy, and the bad debt rate was 1.62 percent.

It assessed that real estate investment and business is one of the risky areas for banking activities, requiring strict solutions to control.

At present, the credit growth and credit quality for the real estate sector are under close supervision of the State Bank, the SBV said, adding that it will coordinate with relevant ministries and agencies to fine tune legal regulations to support sustainable development of the real estate market and ensure safety of credit institutions.

5. Still room for further gasoline tax cuts: minister

Vietnam still has room for further gasoline tax cuts but a lower price tag could enable the smuggling of this commodity to other countries, a minister has said.

The environment tax of VND2,000 (\$0.086) per liter could be cut to lower prices, but this will need to be decided by the National Assembly, Minister of Finance Ho Duc Phoc told lawmakers at a meeting Wednesday.

The Standing Committee of the National Assembly had already halved the environment tax starting in April, and the remaining half needs to be voted by lawmakers.

Other taxes like special consumption tax, imports tax and value-added tax will also need to be decided by lawmakers.

"The Ministry of Finance will evaluate the impact to request further tax cuts from the government and National Assembly," Phoc said.

Vietnam's gasoline price surged to a new historic peak of VND31,570 on June 1, having increased by nearly 36 percent this year.

But as the price tag is still lower than other countries like Laos and Thailand, the minister said that further tax cuts could enable the smuggling of gasoline to those countries.

The gasoline price rise has pushed up prices of other commodities since earlier this year and raised concerns of inflation among officials.

But Phoc said that inflation was under control as the Consumer Price Index in the first five months rose only 2.25 percent year-on-year.

Vietnam targets to keep inflation below 4 percent this year.

6. Most German firms plan to continue operating in Vietnam

Almost 93 percent of German companies already operating in Vietnam will continue to invest in the country and over 64 percent of them expect their business to develop better in the next 12 months, a survey from AHK World Business Outlook-Spring 2022 has revealed.

The survey was conducted by the German Chambers of Commerce Abroad, Delegations and Representative Offices (AHKs).

Vietnam's border reopening and the Government's drastic and timely policies have created a boost for post-pandemic economic recovery, said the survey.

German businesses are more optimistic about economic development in Vietnam over the next 12 months than they were in the autumn of last year.

Over 46 percent of them plan to recruit more employees in the coming year. The surveyed businesses also demonstrate that the most important factors for their trade and investment decisions in Vietnam are political stability, availability of skilled workers in technical and non-technical fields, and transport and logistics.

Thanks to Vietnam's participation in free trade agreements (FTAs), the country has favourable conditions to attract foreign direct investment (FDI) flows.

More than 73 percent of German businesses believe that the implementation of the EVFTA from August 2020 increases their competitiveness in Vietnam.

They regularly leverage the ASEAN-China FTA (ACFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Implementing their business activities in Vietnam, German businesses evaluate the most important factors are the availability of skilled labour in technical fields (58.3 percent), quality of education in technical fields (58.3 percent), and tariff trade barriers (56.5 percent).

Although German enterprises have shown resilience in post-pandemic recovery, they are facing risks and

challenges caused by global uncertainties that make them more concerned about their business development in the coming year.

Currently, they regard the greatest risk as the price of raw materials, followed by energy prices, and a shortage of skilled labour. The Russia-Ukraine conflict has also had an economic impact on their companies.

Higher costs for energy, raw materials and supply chain and logistics disruptions are their most worrying issue. This results in changes to their international business investment activities, such as adjusted risk assessment on locations and economic decoupling of world regions.

In the context of restrictions from the COVID-19 pandemic and supply chain disruptions, allocating and diversifying investment and production activities has become a top priority of German businesses, said Marko Walde, Chief Representative of AHK, at the press conference announcing the survey in Hanoi on June 8.

"Instead of focusing on a specific market and production base, German businesses are expanding their supply chains, and 95 percent are looking at Southeast Asia, specifically Thailand and Vietnam," he said.

At the present time, Walde said that Vietnam has an important position in the flow of international trade.

"Among the 10 ASEAN member states, Vietnam is one of the four countries participating in the CPTPP, and together with Singapore, it is the only two countries with a free trade agreement with the EU so far," he emphasised.

More importantly, the advantage with Vietnam as a production base also lies in the fact that German and European enterprises could set up enterprises with 100-percent-foreign capital, hardworking and inquisitive workers, as well as the close economic, social and cultural connections between the two countries.

To further promote investment capital from Germany into Vietnam, Walde emphasised the importance of Vietnam in developing a production supply network and high-quality human resources, which were capable of meeting investors' demand.

The AHK World Business Outlook (WBO) is based on a regular DIHK survey of member companies of the German Chambers of Commerce Abroad, Delegations and Representative Offices.

It collected feedback from more than 4,200 German companies, branches and subsidiaries worldwide, as well as companies with close ties to Germany in March and April this year.

AHK WBO is seen as a barometer of the business confidence among German companies and as a key indicator of the German business situation and business expectations for Vietnamese economic development.

7. Vietnamese rubber exports enjoy drastic upturn

The nation exported roughly 110,000 tonnes of rubber worth US\$181 million in May, a rise of 40.4% in volume and 27.9% in value compared to the previous month.

These figures also represent annual increases of 33.1% in volume and 26.4% in value, the Agency of Foreign Trade at the Ministry of Industry and Trade cited statistics by the General Department of Vietnam Customs as showing.

The rubber export price averaged US\$1,645 per tonne in May, a drop of 8.9% against April and a 5% fall as compared with the same period last year.

In the initial five months of this year, the country shipped 595,000 tonnes of rubber abroad valued at US\$1.04 billion, respective increases of 8.1% and 12% on-year.

China represented the biggest buyer of Vietnamese natural and synthetic rubber, with hikes seen in both volume and value during the first months.

The Association of Natural Rubber Producing Countries (ANRPC) anticipated that global rubber demand will increase moving forward due to the easing of travel restrictions and the reopening of national borders as a mean of resuming economic activities.

Corporate News

8. PAN: PAN Group plans rights issue to raise \$67.5 mln for acquisitions

↑ 0.00%

Agricultural and food company PAN Group plans to raise VND1.57 trillion (\$67.56 million) through an issue of stocks to fund the acquisitions of several agricultural and seafood companies.

Its board has approved a two-for-one rights offering of 104.4 million shares that is expected to fetch VND1.57 trillion.

The company plans to spend VND825 billion from it to increase ownership at five subsidiaries and affiliates over three years starting next quarter.

It will spend VND400 billion on acquisitions and another VND55 billion to expand infrastructure and production at subsidiary Lafooco.

The remaining VND285 billion will be used for short- and medium-term investments and repayment of debts.

PAN Group is betting on acquisitions of agriculture, fishery and food companies to boost the competitiveness of its feed-farm-food strategy.

Last month it bought a 39.9 percent stake in confectionery company Bibica for VND524 billion (\$22.6 million) and now has a 98.3 percent stake in it.

Its post-tax profits tripled to VND170 billion in the first quarter of this year thanks to surging revenues at its subsidiaries.

9. HPG: Stock issuance for dividend payment

↓ -0.90%

On June 03, 2022, Hoa Phat Group Joint Stock Company announces the stock issuance for dividend payment to existing shareholders as follows:

- Stock name: Hoa Phat Group Joint Stock Company
- Stock type: common share
- Par value: 10,000 dongs
- Number of shares expected to be issued: 1,341,876,811 shares
- Total value (based on par value): 13,418,768,110,000 dongs

- Issue ratio: 30% (10:3) (Shareholder who owns 10 shares will receive 03 new shares).

- Plan to deal with fractional shares: The distributed shares will be rounded down to units, the fractional shares will be cancelled.

- For example: at the record date, shareholder A owns 129 shares. With 30% exercise ratio, the shareholder A will receive: $129 * 30 / 100 = 38.7$ shares. According to rounding policy, the shareholder A will receive 38 new shares and the fractional shares of 0.7 share will be cancelled.

- Estimated execution time: June 2022 or August 2022, after being approved by the State Securities Commission of Vietnam (SSC).

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