



VIETNAM DAILY NEWS



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Market Analysis

1. VN-Index declines for second day, liquidity improves

The market downturn slowed in the afternoon session following increased demand when the VN-Index fell to near the short-term resistance level.

After losing nearly 30 points in the morning, the VN-Index recovered towards the end of the session, closing at the day's highest price at 1,240.77 points, down 0.61 per cent from Tuesday's close. This was the second fall this week.

Liquidity on the Hồ Chí Minh Stock Exchange improved with nearly 608 million shares worth VNĐ14.4 trillion (US\$621 million) traded, up 28.3 per cent in volume and 16.3 per cent in value compared to the previous session.

The securities industry overturned the morning decline, registering an average growth of 2 per cent by the end of the session. Biggest gainers included Saigon Securities Inc (SSI), Hồ Chí Minh Securities (HCM), FPT Securities (FTS), Vietinbank Securities (CTS), BIDV Securities (BSI), Viet Capital Securities (VCI) and Agribank Securities (AGR), increasing between 1.4 per cent and 5.8 per cent each.

Of which SSI, HCM and VCI were among the top shares lifting the VN-Index most.

On the dark side, brewer Sabeco (SAB), Vinamilk (VNM), PV Gas (GAS), Masan Group (MSN), Vincom (VIC) and Vinhomes (VHM), together with banks such as Vietcombank (VCB), Vietinbank (CTG), Techcombank (TCB) and BIDV (BID) were the top 10 dragging the market most.

"The market continued to retreat but currently is still supported at 1,245 points in the VN-Index," said Phương Nguyễn, a stock analyst at Viet Dragon Securities Co.

Liquidity was still quite low, showing that the supply pressure showed signs of cooling down in the second correction session and causing the trading movement to become more stable, Phương said.

"However, the minus point of the market in this period is still the lack of quality demand. It's expected that the market has a chance to continue recovering in the near future but the increase may not be high, the resistance area is 1,260-1,270 points for the VN-Index."

Phương suggested investors observe supply and demand movements in the near future to re-evaluate the market. "It's still advisable to take advantage of the recovery span to continue structuring the portfolio in the direction of risk reduction," she said.

VN-Index has experienced a gloomy September with a loss of more than 3 per cent after the last eight trading days.

On the Hà Nội Stock Exchange, the HNX-Index declined for a third day, losing 0.77 per cent to close at 279.42 points.

Both trading volume and value increased by more than 20 per cent to 80.4 million worth VNĐ1.7 trillion.

Macro & Policies

2. Caution persists in realty stock prices

Although the valuation of the real estate industry and stocks are discounted to a low level, Agriseco still takes a cautious view of the sector due to a lack of short-term rally momentum.

Realty stock prices need to lose another 10 - 20 per cent to create more opportunities for bargain-hunting activities.

In the update on the real estate industry, Agribank Securities (Agriseco) said that current real estate stock prices are trading around the price-to-book ratio (P/B) of about 2.5x, lower than the average of the last 3 years.

After hitting the peak in April, corresponding to the P/B of about 3.5x, real estate stock prices have dropped 30-50 per cent and created a short-term bottom at the P/E of 2.25x.

The securities firm said that in 2018-2019, when credit flows into the realty sector were controlled, the industry's stock prices corrected and hit the bottom at the P/B of 2x.

Therefore, Agriseco Research expects the P/B of about 2x - 2.25x is the bottom of this period and is a suitable price range for investors to consider disbursing budgets for their medium and long-term investments.

"In general, the realty stock prices need to decline by another 10 - 20 per cent to create opportunities for bargain-hunting activities," the company said.

Agriseco's statistics of 65 residential real estate businesses on the three stock exchanges, excluding Vingroup (VIC) as Vinhomes (VHM) was already counted, the total revenue and profit after tax in the first six months of the year were VNĐ51.22 trillion (US\$2.17 billion) and VNĐ11.65 trillion, respectively, down 40 per cent and 50 per cent year-on-year.

The fall was mainly due to less positive results from leading enterprises in the industry. However,

Agriseco noted that quarterly profit may not fully reflect the situation of real estate businesses as profit records occur when the product is handed over, usually in the second half of the year.

For the first six months of the year, the total earnings before interest and taxes (EBIT) of real estate enterprises reached VNĐ6.25 trillion, a slight decrease over the same period last year.

Even though many businesses witnessed unexpected profit growth, the main contribution did not come from core business activities but from financial divestment or asset revaluation such as Hoàng Quân Consulting-Trading-Service Real Estate Corporation (HQC), An Dương Thảo Điền JSC (HAR), and Sông Đà Corporation (SJG). These amounts are considered to be one-off and are likely to be a hindrance to profit growth in the future.

According to Agriseco Research, the level of financial leverage at the end of June has increased significantly compared to the beginning of the year. The realty enterprises' debt to equity ratio has risen from 47 per cent as of December 31, 2021, to 57 per cent as of June 30, equivalent to the level during the COVID-19 pandemic. Debts of 65 residential real estate enterprises (excluding Vingroup) are estimated at more than VNĐ186 trillion, a gain of 25 per cent compared to the end of last year.

The securities firm said that amid the downcast corporate bond market and the narrowing of the credit room for real estate, small businesses with less land will face many difficulties in raising capital as well as cash flow risks.

Currently, listed real estate companies are mobilising loans in four main forms - bank credit, corporate bond issuance, prepaid customers and other sources of capital with proportions of 14 per cent, 17 per cent, 18 per cent and 51 per cent, respectively, according to FiinGroup's estimate.

Of which, numerous enterprises have a high proportion of bond debt in their debt structure of over 50 per cent, such as An Dương Thảo Điền, VRC

Real Estate and Investment (VRC), and Phát Đạt Real Estate Development JSC.

Interest rates are also showing signs of increasing after two years at a record low. As a capital-intensive industry with a high leverage ratio, the real estate industry may be negatively affected when the progress of project implementation and sales slow down, said Agriseco.

It also said that as credit for the real estate industry is strictly controlled and the mobilisation of corporate bonds is quiet ahead of the amended Decree 153, real estate enterprises with weak financial health will find it difficult to raise capital for restructuring due debt.

3. VN rice exporters expect higher prices as India slaps curbs to reduce global supply

With India's recent rice export restrictions, Vietnamese exporters expect to increase shipments and hike prices, industry insiders have said.

Nguyễn Quang Hòa, director of Dương Vũ Co Ltd (Long An Province), said India has imposed a 20 per cent export tax on the grain, and banned shipments of broken rice to soften domestic prices following a significant decline in production due to a poor monsoon.

The move would affect the global market for one of the most commonly eaten staple foods amid a surge in commodity prices following the prolonged Russia-Ukraine conflict.

It would also encourage buyers to shift to rivals such as Việt Nam and Thailand, which have been struggling to increase exports and prices, he said.

"Vietnamese rice exporters are holding off on deals, expecting the price to rise."

Nguyễn Văn Đôn, director of Việt Hưng Co Ltd (Tiền Giang Province), said the prices of rice of all kinds have already gone up by an average of VNĐ300 per kilo compared to before the Indian restrictions.

Nguyễn Văn Hiếu, export director of Lộc Trời Group, said shipments of the grain are also expected to increase in the remaining months thanks largely to high demand from countries such as the Philippines, China and the EU.

The prolonged Russia-Ukraine conflict has led to a shortage of wheat and escalating food prices in the EU. European and South American countries are also in the midst of production difficulties.

To make up for this shortfall, European countries are likely to buy rice from Việt Nam and other rice producers, according to Hiếu.

Dr Nguyễn Đăng Nghĩa, director of the Southern Centre for Soil Fertiliser and Environmental Research, said global demand for rice is set to keep rising this year.

Deputy Minister of Agriculture and Rural Development Phùng Đức Tiến said Việt Nam is expected to export 6.5- 6.7 million tonnes in 2022 for \$3.3 billion.

Buyers shift to Việt Nam

B.V. Krishna Rao, president of the All India Rice Exporters Association, has been quoted by Reuters as saying: "The [export] duty will affect white and brown rice, which account for more than 60 per cent of India's exports.

"With this duty, Indian rice shipments will become uncompetitive. Buyers will shift to Việt Nam and Thailand."

India accounts for more than 40 per cent of global rice exports and competes with Việt Nam, Thailand, Pakistan, and Myanmar in the global market.

Its exports hit a record 21.5 million tonnes last year, more than the combined volumes of the next four largest exporters, Thailand, Việt Nam, Pakistan, and the US.

Vijay Setia, former president of the All India Rice Exporters Association, told the Indian Express newspaper, “A 20 per cent duty is not going to render Indian rice uncompetitive.”

He said India currently exports 5 per cent broken white rice for \$340 a tonne (as compared to \$380 for Pakistan, \$395 for Việt Nam and \$430 for Thailand).

India exports rice to more than 150 countries, and so any reduction in shipments by it would increase food prices, which are already too high due to

drought, heat waves and the Russia- Ukraine conflict.

Ukraine and Russia are also two major suppliers of wheat, whose global prices have risen substantially recently.

In its August report, the US Department of Agriculture (USDA) lowered its global rice production forecast for the 2022-23 crop to 512.4 million tonnes, down 2.3 million tonnes from its original forecast and 1.2 million tonnes compared to the previous crop.

But it increased projections for global consumption following the crop by up more than two million tonnes.

4. Mekong Delta province's industrial parks prove irresistible to investors

Industrial parks and clusters in the Cửu Long (Mekong) Delta province of Tiền Giang attracted more than VNĐ834 billion (US\$35.4 million) in the first eight months of this year, according to the province People’s Committee.

This represents a four-fold increase year-on-year.

Industrial parks house 81 foreign and 29 domestic projects worth \$2.25 billion and VNĐ2.37 trillion, which offer more than 93,000 jobs.

Nearly 92 per cent of their total area has been leased.

Industrial clusters have attracted seven foreign and 73 domestic projects worth \$153 million and VNĐ2.41 trillion, and offer more than 17,000 jobs.

Tiền Giang has three industrial parks, Mỹ Tho, Tân Hương and Long Giang, and five industrial clusters, Trung An, Tân Mỹ Chánh, Song Thuận, An Thạnh No.1, and Gia Thuận No.1.

It plans to build three more, Tân Phước Nos 1 and 2 and Bình Đông, besides 15 industrial clusters to meet demand.

Nguyễn Văn Vĩnh, chairman of the province People’s Committee, said the plan is to further improve the investment environment, help businesses expand operations and speed up administrative reform.

Earlier this month the province announced a list of 59 projects and solicited investment in them by next year, he said.

The projects, which require VNĐ22.9 trillion, are in urban infrastructure, commerce and services, tourism, manufacturing, agriculture, healthcare, education, and sports.

With trained workers accounting for half of its 1.1 million people of working age, the province has an abundant workforce.

More than 6,500 businesses are operating in the province, with 600-700 being established every year.

5. Vietnamese exports to Canada enjoy surge over seven-month period

Vietnam's exports to the Canadian market during the initial seven months of the year increased by 32.2% to US\$3.87 billion compared to the same period from last year, according to the Vietnamese Trade Office in Canada.

With this growth momentum, the country's exports to the demanding market this year are anticipated to surpass the US\$6 billion mark and achieve a minimum growth of 15% in comparison to 2021's figures.

Tran Thu Quynh, the Vietnamese trade counselor in Canada, revealed that strong export growth was recorded in commodity groups such as seafood, iron and steel, plastic materials and chemicals with iron, steel, electric cables, and construction metal products, all of which are set to witness robust growth ahead in the remaining months of the year.

Amid the complicated global situation, Canada is keen to diversify supply sources in order to avoid disruption. This comes amid Canadian businesses showing great interest in the supply source from the Vietnamese market.

Being a nation involved in a wide network of Free Trade Agreements (FTAs), there are bright prospects ahead for Vietnamese firms to co-operate in production activities and Original Equipment Manufacturers (OEM) outsourcing for Canadian brands.

Most notably, both sides have complementary agricultural products. In line with this, Vietnam has strengths in rice, seafood, and spices, whilst Canada

has advantages in products such as beef, fruit, wheat, and cooking oil.

Both countries are capable of co-operating to increase added value for the agricultural industry through the exchange of agricultural services, including post-harvest preservation, processing solutions, and packaging solutions for export.

Quynh noted that within the framework of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the upcoming FTA between Canada and ASEAN, Canadian businesses have shown a keen interest in working closely with Vietnamese enterprises in production activities to maximise tax incentives.

Vietnamese food processing enterprises and associations have therefore been advised to cater to these trends in order to fully tap into the numerous advantages on offer, with the ultimate aim of turning the nation into a centre for agricultural product processing and ranking among the top 10 countries in the world by 2030.

According to details given by the Vietnam Trade Office in Canada, OEM outsourcing for Canadian enterprises will also create prime opportunities for Vietnamese enterprises to turn to large-scale and deep processing, as well as building their own marketing strategies and brands.

Moreover, although local firms cannot directly export their products under their own brand, outsourcing to foreign supermarket systems will open up more prospects for Vietnamese products as they seek to gain greater entry to demanding markets which have higher requirements.

6. Low labour costs, large workforce drive Singapore start-ups in Việt Nam

With a large workforce, lower labour costs and sizeable market, Việt Nam is one of the most popular destinations for Singapore's start-ups, according to The Straits Times newspaper.

"The labour force in Việt Nam is increasingly well educated and still relatively cheap compared to

Singapore," James Tan, managing partner of venture capital company Quest Ventures, was quoted by the newspaper as saying.

Việt Nam has a tech-savvy population and a burgeoning middle class, making it a potential customer base, he added.

Singapore has been one of the strongest partners of Việt Nam both before and during the pandemic. Vietnamese sectors that venture capital firms are looking at include health technology, food processing and blockchain.

Amy Wee, an expert at the Singapore Business Federation (SBF), said Singaporean small and medium-sized enterprises should also spend more time to understand the Vietnamese market and build relationships with potential business partners.

Meanwhile, Taku Tanaka, chief executive officer of Kamereo, a business-to-business food sourcing platform that launched in 2018, said international company founders who are serious about the Vietnamese market should consider staying there or at least hiring a good team that will be based in the country.

Start-ups in Singapore should take advantage of emerging fast-growing markets overseas, he said, adding that their experience overseas can allow them to bring fresh perspectives to their companies.

Jonathan Lim, director for Global Innovation Network at EnterpriseSG, noted that since the expansion of the Global Innovation Alliance (GIA) network to Việt Nam in 2019 via EnterpriseSG's partnership with Quest Ventures, more than 45 Singapore-based start-ups across sectors such as edtech, healthtech and information technology have participated in the Việt Nam GIA acceleration programme.

Three start-ups have since successfully set up a presence in Việt Nam, while more than 10 are in discussions with potential Vietnamese partners on project collaborations, he said.

7. Shinhan insurance arm to expand Vietnam operations

Shinhan Life, a subsidiary of South Korean Shinhan Financial Group, that entered Vietnam nine months ago, will open its second business center next month.

The life insurer's success in HCMC has encouraged the expansion, and the new branch will be set up in Hanoi.

Since entering Vietnam in January, Shinhan Life has cooperated with other Shinhan affiliates including Shinhan Bank and Shinhan Card to gain quick access to the Vietnam market.

Only five percent of the country's 98.5 million citizens held insurance plans at the end of last year, and the life insurance penetration (the percentage of total life insurance premium paid in a year to GDP) was 2.08% in 2020, according to data from Statista.

The total revenue of Vietnamese insurers is expected to grow 18 percent year-on-year this year, The Korea Times reported.

Vietnam is the first foreign market in which Shinhan Life has established an official business branch.

It is considering expanding operations to other cities and introducing more insurance plans if its operation in Hanoi thrives.

Corporate News

8. KPF double profit after reviewing and changing company model

↓ -6.86%

The second half-yearly reviewed profit after tax in 2022 of Hoang Minh Financial Investment Joint Stock Company (HOSE : KPF) increased to 47 billion dong, nearly 2.1 times higher than the independent report.

After the review, KPF is not allowed to record net revenue of more than 8 billion dong and profit from joint ventures and associates of nearly 3 billion dong as independent report. Instead, the Company recorded nearly 56 billion dong of financial revenue, more than 2.2 times higher than the independent report.

KPF said financial revenue is mainly profit shared from Cam Lam Investment Co., Ltd. more than 2.4 billion dong and dividend from TTC is more than 26.6 billion dong, plus more than 9 billion dong profit from the transfer of 15 million TTC Deluxe Saigon JSC .

As a result, KPF 's second half-yearly reviewed profit after tax in 2022 increased by nearly VND 24 billion, nearly 2.1 times higher than the independent report.

Despite a significant increase in profit after the review, KPF 's semi-annual business results this year only increased slightly by 5% compared to a profit of nearly VND 45 billion in the first half of 2021.

In 2022, KPF plans to bring in VND 450 billion in total revenue and VND 205 billion in profit after tax, nearly 4 times and 2.7 times higher, respectively. In which, 80% of revenue will come from real estate investment and business activities and 20% from financial investment and asset structure.

Compared to the plan, the Company only achieved 23% of the target of profit after tax after 6 months.

Notably, after publishing the 2022 semi-annual review financial statements, KPF announced a change in the operating model and type of financial statements. Specifically, the Company changed its operating model from having a subsidiary to a unit without subsidiaries and affiliated accounting, and changed the type of financial statements from consolidated to separate financial statements of the company.

9. PVD will increase capital by more than 505 billion dong

↑ +5.19%

The Board of Directors of PetroVietnam Drilling and Drilling Services Corporation (PV Drilling, HOSE : PVD) has just approved the result of dividend payment in 2021 in shares with the exercise rate of 10%.

The number of shares to be issued to pay dividends is nearly 50.54 million shares,

equivalent to a par value of more than 505 billion dong.

After completing the issuance, PVD will increase its charter capital from nearly VND 5,058 billion to VND 5,563 billion.

In the first period of July, PVD stock fell to 13,600 dong/share (closed on 07/07/2022). After more

than 2 months, the market price of this stock has increased by more than 63%.

However, the business situation was not as positive as the stock price movement. In the first half of this year, although PVD 's revenue reached nearly 2,660 billion dong, up 61% over the same period, the company's net loss was nearly 117 billion dong. In the same period last year, revenue was lower but PVD only lost 69 billion dong.

According to the explanation, the Company said that the increase in losses over the same period

was mainly due to the sharp decline in profits from joint venture companies due to reduced workload, increased financial costs due to the increase in USD exchange rate , as well as changes in the income of the joint venture companies. Libor action increases interest expense.

With a strong net loss in the first 6 months of the year, PVD stock was included in the list of securities not eligible for margin trading by the Stock Exchange (HOSE).

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