VIETNAM DAILY NEWS

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Market Analysis

1. Large-cap stocks extend losses, VN-Index falls for 2nd day

The market ended lower on Tuesday as some large-cap stocks lost further in the late session, causing the VN-Index to lose ground. Meanwhile, foreign investment kept fleeing the market.

The benchmark VN-Index on the Hồ Chí Minh Stock Exchange (HoSE) fell 0.76 per cent to end at 1,078.14 points.

The index had plunged 4.03 per cent, to close Monday at 1,086.44 points.

The market's breadth remained negative with 144 gainers and 312 losers.

More than 582.8 million shares traded on the southern market, worth over VNĐ12 trillion (US$502.5 million).

The index was weighed by losses in some large-cap stocks, with the VN30-Index posting a decrease of 0.39 per cent, to 1,097.72 points. Fourteen of the 30 biggest stocks in the VN30 basket slid, while 15 stocks climbed and one stayed flat.

Pillar stocks continued to lead the market's downtrend. Losers in the group included Việt Nam Rubber Group (GVR), down 6.2 per cent, Bảo Việt Holdings (BVH), falling 3.2 per cent, PetroVietnam Gas JSC (GAS) declining 0.9 per cent, Hoà Phát Group (HPG) losing 4.6 per cent and SSI Securities (SSI) dropping 3.5 per cent.

Bank stocks also contributed to the benchmark's losses with Asia Commercial Bank (ACB) down by 2.8 per cent, Sacombank (STB) down by 2.3 per cent, Tiên Phong Bank (TPB) down 0.2 per cent and BIDV (BID) down 1.7 per cent.

The index pared losses on the back of some stocks like Phát Đạt Real Estate Development JSC (PDR), Vinhomes (VHM), Sabeco (SAB), Mobile World Group (MWG), Khang Điền House (KDH), FPT Corporation (FPT) and Vietjet (VJC).

On the Hà Nội Stock Exchange (HNX), the HNX-Index lost 1.07 per cent, to 235.61 points.

During the session, 56 million shares were traded on the northern market, worth over VNĐ937 billion.

On the other hand, foreign investors still were net sellers on both main exchanges, with a total value of VNĐ500 billion.

The current support level of VN-Index is 1,070-1,080 points. However, the market sentiment is currently negative, the index might break this support in the next few sessions, said BIDV Securities Co.

Macro & Policies

2. Firms change capital-raising plans amid bearish sentiment

Many firms have begun to change their capital-raising plans amid the recent decline in the stock market, according to experts.

Sao Mai Group Corporation (HOSE: ASM) initially planned to issue roughly 168 million shares to raise over VND2 trillion.

About VND1.6 trillion of the proceeds would be used to add to its operating capital, VND253 billion to invest in An Giang Tourism Development JSC, and VND69 billion to invest in Dong Thap Tourist JSC.

However, the firm later announced the cancellation of the plan on grounds of global uncertainties and unfavourable market conditions.

Louis Capital JSC (HOSE: TGG) followed suit by shelving its plan to issue 54.6 million shares, of which one half was offered to existing shareholders and the other to investors via private placement.

Kien Giang Construction Investment Consultancy Group (HOSE: CKG) did likewise by suspending its registration for the private placement of 13.4 million shares.

Approved in August, CKG's plan aimed to offer the shares, VND15,000 apiece, to professional investors to raise VND201 billion, which would be used for debt settlement and wage payments.

Experts attributed the cancellation of the capital-raising plans to a bearish market, which saw many stocks fall off peaks by between 50 and 70 per cent in prices.

Price drops make the share offerings less attractive to investors, leaving many issuers with no choice but to cancel their plans to avert unsuccessful issuances.

However, some issuers stayed the course by lowering their offering prices amid bearish sentiment.

Development Investment Construction JSC (HOSE: DIG) drew up a new plan to offer 100 million shares at most to its existing shareholders to mobilise VND1.5 trillion for the Long Tan Tourism Urban Project.

Under the plan, DIG new offering price (VND15,000 per share) was set at half the offering price set in late May (VND30,000 per share).

Thu Duc Housing Development Corporation (HOSE: TDH) initially approved the plan to offer 120 million privately-placed shares at a price of VND12,000 apiece in its general meeting early in the year.

However, the firm later adjusted the plan by cutting the offering volume to 58 million shares and the offering price to VND10,000 apiece, down 20 per cent.

The purpose of issuance was changed as well, from financing Dong Trung Residential Project in Binh Duong Province to financing Nha Dat Residential Project in Long An Province.

Although share offerings were not so successful for some firms, total capital raised by the channel in the first nine months of 2022 stood at tens of trillions of dong.

Securities firms and banks took the lead in terms of volume and success rates. Remarkably, NamA Bank, SEABank, VNDirect and SSI managed to raise trillions of dong through share offerings to existing shareholders.

BIDV Securities JSC (BSC) successfully raised nearly VND2.7 trillion from offering privately-placed shares to its Korean shareholder Hana Securities with a price of VND41,000 apiece, about 37 per cent higher than their market price.

Vietnam Container Shipping JSC said it took them up to 11 months to raise capital via public offerings. In the capital-raising plan in mid-September, it switched to private placement to not "pass up the opportunity to competitors".

Public offerings allow issuers to distribute shares to more than 100 investors. However, this means of issuance sets the bar high on issuers' financial health and incurs a lengthy procedural process.

3. FDI into industrial property doubles in the first nine months

Foreign direct investment (FDI) continued to flow into Viet Nam's industrial property market, accounting for 19 per cent of total FDI or US$3.5 billion during the first nine months of the year, doubling the figure recorded during the same period last year.

Industrial properties will likely see the most growth, according to Savills Viet Nam. Strong economic indicators in recent years have sent foreign investment soaring, especially in the northern and southern economic hubs.

Savills Viet Nam, one of the country's leading property agencies, cited the country's early reopening, multiple free trade agreements (FTA), stable exchange rates in comparison with neighbouring countries, strong export economy, tax cuts and support policies for workers as major encouragements for foreign investors.

Matthew Powell, director of Savills Ha Noi, the agency's northern headquarters, said Viet Nam, in particular its industrial property market, was in a good position to attract additional FDI with a majority of its industrial hubs at full capacity and more projects underway.

In a report released by the agency in September, industrial property supply remained stable with demand soaring, especially in Ha Noi and HCM City. Improved infrastructure and enlarged land allocation have resulted in increased ability to compete but not without a surge in prices.

On average, rental for industrial property in Ha Noi has reached $140 per square metre (sqm), HCM City $200 per sqm. Prices tend to be slightly lower in the two industrial hubs' neighbouring provinces and could be strong alternatives as provincial authorities have distributed more land to industrial projects.

Strong contenders for FDI included Bac Ninh, Hai Phong, Hung Yen and Hai Duong in the north, Binh Duong, Ba Ria-Vung Tau and Long An in the south.

During the second quarter of 2022, nine industrial projects worth a total of VND29.4 trillion ($1.23 billion) with a land area of 2,472 hectares have been given the green light, which have been projected to go into operation during 2023-25.

Powell said rising prices and full capacity in major industrial hubs reflected strong demand in the market, setting the conditions for investors to introduce new products and regulators to improve industry standards.

4. Agro, forestry, aquatic trade surplus doubles in nine months

Vietnam's foreign trade of agro, forestry and aquatic products hit some 74.7 billion USD in the first nine months of 2022, a year-on-year rise of 10.7%, according to latest data released by the Ministry of Agriculture and Rural Development (MARD).

Exports reached about 40.8 billion USD while imports totalled 33.9 billion USD, up 15.2% and 5.7%, respectively, year-on-year, and this means the trade surplus of the sector mounted to 6.9 billion USD, doubling the same period last year.

In September alone, exports spurred 28.7% compared to the same month last year to over 4.2 billion USD. However, the figure was 8.8% lower than the previous month's.

Last month's export turnover from major agricultural products exceeded 1.8 billion USD, while those from forestry products and seafood stood at over 1.3 billion USD and 900 million USD, respectively.

During the nine-month period, Vietnam exported more than 16.8 billion USD worth of key agro products, a year-on-year increase of 7.5%. Shipments of major forestry products valued around 13.3 billion USD and seafood, 8.5 billion USD, up 10.8% and 38%, respectively.

Seven products with export revenue surpassing 2 billion USD each include coffee, rubber, rice, vegetables and fruits, shrimp, and wood.

High upturn was seen in the export of coffee (37.6%), cassava (21%), tra fish (83.3%), and shrimp (24.8%).

A downturn, meanwhile, was recorded in some others, including vegetables and fruits (11.1%), cashew nuts (14%), and livestock products (18.4%).

The US remained Vietnam's largest buyer, spending over 10.5 billion USD which accounts for 25.8% of the total. It was, again, followed by China (7.4 billion USD) and Japan (3.1 billion USD).

A total of 4,597 Production Unit Codes (PUCs) and 1,419 Packing House Codes (PHCs) have been granted in Vietnam, enabling exporters to ship fresh fruits such as dragon fruit, mango, banana, pomelo, longan and lychee to major markets like China, the US, Australia, New Zealand, the Republic of Korea, and Japan.

5. Viet Nam's nation brand value up 11 per cent

Viet Nam's national brand value rose by 11 per cent this year, up from US$388 billion to $431 billion, thanks to its growing investment attractiveness to foreign manufacturers, according to the leading brand valuation consultancy Brand Finance.

Its value gain of $184 billion over the course of the pandemic was the world's highest gain in relative terms, up 74 per cent against 2019, and the third highest gain in absolute terms.

"Viet Nam has gained momentum as an attractive destination for foreign investment thanks to successful fiscal and monetary policies and investments in human capital, but also amid trade disruptions from China's lockdowns and continued tension between Beijing and Washington," said Brand Finance.

Viet Nam's national brand value is not a valuation of aggregated Vietnamese commercial brands, but rather, is a valuation of the brand of the country itself.

Viet Nam got relatively high scores on agricultural ratings, social media engagement, and the nation's response to COVID-19, which were the three driving forces behind the increased valuation.

6. Government to stay consistent with macro-economic stability goals

Amid fluctuations in the world situation, especially the increase in interest rate, soaring inflation and tightened monetary policies, the Government will stay consistent with the targets of maintaining macro-economic stability, reining in inflation, promoting growth and ensuring major economic balances in the rest of the year.

Towards those goals, in its Resolution No. 126/NQ-CP, the Government asked the State Bank of Vietnam to coordinate with ministries, sectors and localities to implement a cautious and steady but flexible monetary policy in combination with other fiscal policies to control inflation and keep macro-economy stable.

The bank was requested to combine tools and solutions regarding exchange rate, interest rate, growth credit, and speed up the implementation of the policy of 2% interest rate support, while strengthening communications to create social consensus and improve the efficiency of the policy implementation.

In the decision, the Government also assigned specific tasks to the Ministry of Finance, Ministry of Planning and Investment, Ministry of Industry and Trade, Ministry of Agriculture and Rural Development, Ministry of Labour, Invalids and Social Affairs, and Ministry of Construction.

Ministries, sectors and localities are required to stay prepared in controlling risks and timely responding to risks of recession and crisis in a timely manner.

7. Higher funding costs to have limited impact on Vietnamese banks

The Vietnamese central bank's move to lift short-term deposit rate caps is likely to raise the average cost of funds – both deposit and interbank rates – for Vietnamese commercial banks.

However, the banks should be able to pass some of the additional cost on to borrowers, limiting the impact on net interest margins (NIM), according to Fitch Ratings.

In a recent report, the rating agency said the State Bank of Vietnam's (SBV) decision to raise key policy rates by 100 basis points on September 22 exceeded its expectation that these rates would rise by only 50 basis points by end-2022.

It follows a sharp rise in US interest rates and weakening global demand prospects, which have increased the risk of capital outflows and contributed to downward pressure on the Vietnamese dong, although the currency has weakened by less against the US dollar than many other APAC currencies this year.

"We now believe that further policy rate hikes are likely in the near term, partly in order to reduce the risk that exchange-rate weakening could add to imported inflation, and further upward pressure on deposit rates is likely as US dollar interbank rates push up against dong interbank rates," Fitch said.

According to Fitch, the policy rate adjustments will have little impact on Vietnamese banks, as they apply to central bank facilities that do not constitute an important source of funding for most major banks. The increase in deposit rate caps, which took those for one-six month dong deposits to 5 per cent, will have more impact as the caps have constrained deposit rates at a number of banks in recent months.

"This will raise funding costs to a modest extent, but we believe major Vietnamese banks are well placed to absorb these higher costs. Demand for loans is robust and credit expanded by 17.2 per cent year-on-year by September 16, but lending is constrained by the SBV's cap on annual system credit growth, which the central bank recently reaffirmed at 14 per cent for 2022.

Fitch believes demand for credit is likely to outstrip the quota-constrained supply in the remainder of the year and credit conditions are unlikely to ease much, as persistent inflationary pressures amid robust domestic growth and further dong depreciation will leave the SBV wary of faster credit expansion.

"We still expect banks to be able to raise yields, even if lending rates for some priority sectors are held down through informal guidance from regulators and social pressure. Banks have, for example, been shifting lending portfolios towards higher-yielding segments like retail, and may also be able to bundle other fee-generating products with much-coveted loans.

"We still view the overall outlook for net interest margin (NIMs) and earnings as positive, even though the increase in funding costs relative to our previous assumptions will dampen upsides for NIMs. This is because of rate pass-through, higher balance sheet leverage, and because the quota constraint on credit growth and a lack of alternative financing sources leave banks in a favourable bargaining position with borrowers. Consequently, the limited rise in funding costs that we now anticipate is unlikely to affect banks' standalone credit profiles, as there is adequate headroom at current rating levels. Moreover, the Issuer Default Ratings of most Fitch-rated Vietnamese banks are driven by our expectations of extraordinary support, which are more sensitive to movements in the sovereign rating."

According to Fitch, Vietnamese banks could nonetheless be vulnerable if interest rates rise sharply beyond Fitch's base case. Corporate leverage is high and interest-rate hedging rare, so a spike in lending rates would weigh on asset quality. Banks' capital buffers are generally thin, especially at State-owned banks, reflecting persistently rapid loan growth. This reduces their ability to absorb any unexpected spike in credit costs.

Corporate News

8. HPG: Hoa Phat opens a home appliance factory

↓ -4.56%

Hoa Phat Group - Southeast Asia's leading steel producer - has opened a factory to manufacture air conditioners and some other home appliances with the hope of generating $1 billion in annual revenue by 2030.

Located in Hoa Mac industrial zone in Ha Nam province, Hoa Phat's factory will also manufacture water and air purifier equipment, with an annual capacity of 1 million products. Hoa Phat's new factory has an investment cost of more than 1 trillion VND (41.8 million USD).

In 2021, Hoa Phat Group established a subsidiary to encroach into the household appliances segment. Previously, Funiki air conditioners and other Hoa Phat products also achieved some success in Vietnam. The new factory will help Vietnam's "steel king" deploy product development and export.

Currently, Hoa Phat's steel business has stepped to the other side of the slope when steel prices are strongly affected by China - which accounts for 60% of global steel production.

Because of the cyclical nature of the steel industry, Chairman Tran Dinh Long once stated: "No one makes steel forever, Hoa Phat must multi-sector, real estate M&A".

9. VJC: Vietjet changes share issuance plan

↑ +2.64%

According to the new plan, Vietjet Aviation Joint Stock Company (HOSE : VJC) will issue 54.1 million shares separately and then pay a share dividend at the rate of 20%.

Previously, the airline planned to pay a stock dividend (20%) before a private placement of 54.1 million shares (equivalent to a maximum of 10% of outstanding shares).

However, Vietjet has changed the order of implementation of these plans. Accordingly, the company will offer to sell privately and then pay dividends in shares.

According to the new plan, the Company will issue 54.1 million shares individually and bring the total number of shares to 595.7 million shares. With this amount of shares, Vietjet will have to issue another 119.1 million shares to pay a dividend of 20%. Compared to the old plan, the number of newly issued shares of Vietjet increased by 10.8 million shares.

It is estimated that Vietjet 's charter capital will increase from the current VND 5,416 billion to VND 7,149 billion, ranking third among airlines (after Vietnam Airlines and Bamboo Airways).

Besides changing the release plan, Vietjet also intends to establish a commercial presence abroad to serve its plan to expand its network as well as to do business in other markets. Vietjet 's Board of Directors proposed to establish a commercial presence in the form of representative offices, subsidiaries, branches, joint venture companies associated with foreign enterprises.

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