



VIETNAM DAILY NEWS



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Market Analysis

1. Shares claim losses on bargain hunting

Shares recouped their losses on Wednesday as bargain hunters combed large-cap stocks, lifting the overall market.

On the Ho Chi Minh Stock Exchange, the VN-Index regained 3.4 per cent, to close at 942.90 points. The southern market's index lost 3.1 per cent on Tuesday.

The market's sentiment was more bullish with more stocks increasing, of which 415 stocks inched higher and 63 reduced. Liquidity hit a peak in the last eight months with matching value reaching VND14.4 trillion (US\$581 million), equal to a matching volume of 1 billion shares.

The index's reversal was boosted by some pillar stocks as the 30 biggest stocks tracker VN30-Index posted a gain of 3.93 points, or 3.93 per cent, to finish Wednesday at 940.29 points. Of the VN30 basket, 26 stocks climbed, while four declined.

Gainers contributing to the VN-Index most included banking stocks, with gainers including Military Bank (MBB), Techcombank (TCB), Bank for Investment and Development of Viet Nam (BID), VietinBank (CTG), Viet Nam International Commercial JS Bank (VIB), Saigon-Hanoi Commercial JS Bank (SHB), Tien Phong Bank (TPB) and Vietcombank (VCB).

Prices of many shares in the VN-30 basket, especially companies with good performance, have dropped to attractive levels, luring bargain hunters. They included Hoa Phat Group, SSI Securities Inc (SSI), Sabeco (SAB), Mobile World Group (MWG). They all hit the daily limit gain of 7 per cent.

Foreign capital inflows have been a bright spot in the market in recent sessions. In the first half of November, foreign investors strongly net bought nearly VND6.8 trillion in the whole market. This is a very positive signal of foreign capital inflows, especially compared to the previous period, foreign investors net sold continuously in September and October with a value of nearly VND5 trillion.

Thus from the beginning of this year to the end of November 15, the accumulated net trading value in more than 11 months of foreign investors reversed to a net buying of nearly VND5.8 trillion; Previously, the first 10 months of the year were still recording a net selling value.

On the Ha Noi Stock Exchange, the HNX-Index also regained 4.36 per cent to close Wednesday at 183.45 points. The northern market's index had lost 4.18 per cent to close Tuesday at 175.78 points.

More than 101.4 million shares worth VND1.1 trillion were exchanged here.

Macro & Policies

2. Long-term gains on horizon for Vietnam via RCEP

Luong Van Khoi, director of the National Centre for Socio-economic Information and Forecast (NCIF) under the Ministry of Planning and Investment, said that under fresh international reports on impacts of the partnership (RCEP), the deal will have positive impacts on its member economies.

The RCEP was signed in November 2020 by the 10 ASEAN member states and the bloc's partners of China, Japan, South Korea, Australia, and New Zealand. The deal took effect at the start of 2022.

“It is calculated that by 2030, the RCEP will increase incomes in the economies by 0.6 per cent, tantamount to \$245 billion, with an additional 2.8 million jobs to be created,” Khoi said at last week's launch in Hanoi of a report on how the RCEP can shape supply chains in Vietnam. The report was prepared by the NCIF and Germany's Konrad-Adenauer-Stiftung Vietnam.

For Vietnam, some studies have shown that the country is expected to benefit from the RCEP. For example, the World Bank said that the deal will enable Vietnam's GDP to increase by an additional 4.9 per cent and exports to rise by an additional 11.4 per cent by 2030.

Besides commitments as a traditional free trade agreement (FTA), the RCEP also embraces other commitments on e-commerce, telecommunications, competition, small- and medium-sized enterprises, and public procurement. “However, one of the most important points in the RCEP is that it offers harmonised and cumulative rules of origin (ROO) for the region, ushering in many opportunities for intra-bloc exports,” Khoi said.

Nguyen Thi Thu Trang, director of the Centre for WTO and International Trade under the Vietnam Chamber of Commerce and Industry, once said that while implementing projects in Vietnam, investors would need to import products for production and then exports abroad, including to RCEP member states.

“One of the most noticeable points in the RCEP is that this agreement has been designed to reduce costs and time for businesspeople, and the deal allows them to export goods to each member market without having to meet that market's own requirements,” Trang said. “This will help investors increase investment in Vietnam.”

For example, for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), businesses from Vietnam will find it difficult to take advantage of tariff incentives for their garments and textiles due to tough requirements in ROO applied commonly within the bloc, as almost all materials Vietnam need are imported from China – which is not a CPTPP member, Trang said. “However, for the RCEP, to which China is a member, the burden of import costs for input materials will be reduced thanks to tariff incentives.”

What is more, the RCEP will greatly benefit Vietnam's many key export items including garments and textiles, agricultural products, and aquatic products exported to the member markets like Japan and South Korea.

Specifically, under the Vietnam-Japan FTA and ASEAN-Japan Comprehensive Economic Partnership, and under the Korea-Vietnam FTA and the ASEAN-Korea FTA, garments and textiles are subject to meet 2-phase ROO, meaning cloth must be produced within ASEAN or Japan or South Korea before receiving incentives. Meanwhile, under the RCEP, Vietnam can import cloth from everywhere and conduct production in its territory, and the products can enjoy tariff incentives when exported to Japan or South Korea.

Similarly for aquatic products, the aforementioned Japan and ASEAN deals require ROO in Vietnam, but the RCEP allows the country to import breeds from anywhere or source the breeds from inside its territory, and all export products are still entitled to tariff incentives.

According to the Centre for WTO and International Trade, in 2021, Vietnam earned an export turnover of \$132.3 billion from RCEP markets, up 16 per cent on-year, and spent \$238.5 billion on imports from these economies – meaning a \$106.18 billion trade deficit.

“Thus, the RCEP is expected to help Vietnam attract more investments from the member states and enable domestic companies to seek more partners,” Trang said.

She added that there is little worry of a big trade deficit as Vietnam's commitments on import tariffs are almost the same as other FTAs, and the demand for Vietnamese goods from those markets have been rising. Meanwhile, almost all products imported into Vietnam are used for production and then re-exported to RCEP countries and the wider world.

According to the NCIF's prediction, the impact of ROO on reshaping supply chains will focus on industry groups of electronics, automotives, and textiles in the medium- and long-term because of their large proportion of exports and imports.

Trinh Thi Thu Hien, manager of Goods Origin at the Export and Import Department under the Ministry of Industry and Trade, said, “The application of combined ROO will help Vietnam import electronic components and materials from any RCEP country to continue processing or manufacturing finished products while still enjoying tax incentives when exporting these products to other RCEP members.”

Regarding the investment promotion, according to NCIF director Tran Toan Thang, Vietnam currently focuses mainly on downstream processing and assembling such products as electronics, automotive and garments or low- or medium-tech finished products like textiles.

“Thus, the RCEP also creates opportunities for Vietnam to increase productivity as well as overcome the state of simple production by increasing specialisation in the industries where the country has advantages, thereby attracting more foreign enterprises,” Thang said.

3. Vietnam’s seafood market share in Latin America increases thanks to CPTPP

Le Hang, Communications Director of the Vietnam Association of Seafood Exporters and Producers (VASEP), told local media CPTPP had a very clear impact on seafood export as importers from CPTPP accounted for 25% of the total export turnover of Vietnam.

She added now that Malaysia has ratified the CPTPP on October 5, products would enjoy preferential tax rates under the agreement from November 29.

Hang said that up to now, the market share of Vietnamese seafood in some markets in the CPTPP has changed, especially those in Latin America.

She said: "Before the CPTPP Agreement, Canada accounted for 2.7% of Vietnam’s total seafood export value. Up to this point, Canada has accounted for 3.7%. Mexico's share has increased from 1% to 1.3%, and Australia's share in the CPTPP has also increased from 2.7% to 3.2%.

Canadian demand for seafood imports was very high, and it also put its trust in the Vietnamese market because it was a stable economy and a good environment for trade, said VASEP, adding the Mexican market in South America was now Vietnam’s number three pangasius import market, after China and the US.

Hang told the media: "Amid currency fluctuations, Mexico's currency is relatively stable. Economic fluctuations have less impact on this market than on other markets. Therefore, this is a potential Vietnamese seafood market not only now but also in the coming years."

Besides the potential and advantages, the CPTPP also poses many challenges for seafood enterprises, regarding technical barriers or quality standards, in terms of rules of origin.

"The real difficulty in the CPTPP is provisions related to labour, environment and sustainable development, such as labour, how to avoid child labour violations in fisheries and how to remove IUU

yellow card. The CPTPP partner, Japan, also began to apply rules of origin to some fishery species, which other markets may later follow. Therefore, businesses must pay attention and make appropriate adjustments to meet the requirements of sustainable development in the CPTPP," noted Hang.

Nguyen Thi Thu Trang, Director of the Center for WTO and Integration of the Vietnam Chamber of Commerce and Industry (VCCI), emphasised that the CPTPP was the first high-standard new generation FTA that Vietnam had implemented with a degree of freedom, adding: "The level of member countries in the CPTPP committed to opening the goods market for each other is the highest among the previous agreements."

The CPTPP helps Vietnam's goods explore the American market, Trang said, explaining: "With the CPTPP, Vietnam has a great advantage to exploit for exports to the Americas compared to many Asian countries that do not have FTAs with countries in this region."

Trang also said, however, the CPTPP's countries continued to negotiate FTAs with ASEAN. For example, shortly, the Canada-ASEAN FTA will be

restarted. Thus, in the future, Vietnamese goods will no longer have a unique advantage. Not to mention, some countries are also planning to join the CPTPP."

"The FTA advantage is still one of Vietnam's advantages in the North American market, but it won't last too long. Therefore, Vietnamese businesses must quickly use the CPTPP most optimally," said Trang.

Experts said optimising advantages created by free trade agreements (FTAs) helped many local seafood enterprises turn challenges into opportunities. As a result, the sector is predicted to make up 3% of the country's total overseas shipments in 2022.

According to VASEP, Vietnam is currently the world's third largest exporter of fishery products, after China and Norway. With the obtained results, its seafood exports are expected to hold an over 7% share in the global market.

This year, Vietnam is expected to reach 10 billion USD by November, a record milestone for Vietnam's seafood industry after more than 20 years of participating in the world market. By the year's end, it is forecast to reach nearly 11 billion USD, up 25% compared to 2021.

4. Banks face challenges in improving credit quality

Among banks that have already published Q3 2022 financial statements, only a few recorded declines in the bad debt ratio compared to the beginning of the year, online newspaper dantri.com.vn reported.

HDBank's bad debt ratio dropped from 1.65% at the beginning of 2022 to 1.54%, while that of SeABank also fell from 1.65% to 1.59%, and Techcombank, from 0.66% to 0.65%. The ratio of BaoVietBank, MSB and Eximbank also declined from 4.9% to 3.2%; 1.74% to 1.08%; and 1.96% to 1.9%, respectively.

Though the bad debt ratio on total outstanding loans of the banks all declined, their irrecoverable debts increased at some banks. The increase of irrecoverable debts at SeABank, HDBank, Techcombank, MSB and Eximbank was 11.2, 35, 46, 3 and 21%, respectively.

Other banks including ABBank, TPBank, BacABank, Saigonbank, PGBank, LienVietPostBank, VietCapitalBank, ACB and MB recorded an increase in the bad debt ratio. In which, only PGBank saw a slight decline in irrecoverable debts. The increase in irrecoverable debts was 124% at TPBank, 131% at ACB, 85% at MB, 99.7% at VietBank, 43% at Saigonbank, 35.6% at LienVietPostBank and 39% at ABBank.

Earlier, banking experts repeatedly warned about the adverse impacts of the pandemic on the production and business activities and the solvency of borrowers, which would put pressure on the bad debt developments at banks.

According to banking expert Nguyen Tri Hieu, Circular No. 14/2021/TT-NHNN, which allowed banks to reschedule the loan payment time and

maintain the same debt group for COVID-19 affected borrowers, has caused the bad debts of the banking industry to be calculated inaccurately, as under the regulation a number of debts that should have been bad debts have been restructured and maintained to be qualified debts.

The expiry of Circular No. 14/2021/TT-NHNN from the end of June this year had more realistically reflected the bad debt situation at banks, experts said.

As bad debts have increased, many banks, such as Techcombank, VPBank, BacABank, HDBank, ABBank and Eximbank, also raised their provisions for risky loans correspondingly in Q3 2022 compared to the same period of last year.

The increase in the provisions caused profits of some banks to see a slowdown. At Saigonbank, for example, the risk provisioning costs of banks in Q3 2022 nearly doubled to 20.8 billion VND, which was one of the reasons for the bank's low profit growth rate of 4% in the period.

ABBank's deputy general director Do Lam Dien also attributed the bank's reduction of nearly 80% in profits in Q3 2022 to its high increase in provisions for risky loans. In a document sent to the State Securities Commission, Dien said the bank's provisions in Q3 2022 increased by 3.6 times compared to the same period of last year to 310 billion VND. In Q3 2022, ABBank also bought back 400 billion VND of special bonds from Vietnam Asset Management Company (VAMC).

According to Dang Tran Phuc, chairman of financial company AzFin Vietnam, the increase of the provisions does not help lower the bad debts but only improves the resistance for banks.

However, Phuc said, banks with low provisioning rates might have to raise their provisions in the future while banks with high provisioning rates would be able to increase profits from the reversal of the provisions.

5. State Securities Commission to apply measures to strengthen the market

International organisations continue to revise their forecasts for global economic growth in 2022 and 2023. Of which, the International Monetary Fund (IMF) lowered its forecast to 3.2 per cent for 2022 and 2.7 per cent for 2023, while the World Bank estimates global GDP growth will slow to 0.5 per cent in 2023.

The movements and complex and unpredictable geopolitical situations around the world, such as the Russia-Ukraine conflict, tensions between major economies, China's zero-COVID, global supply chain disruptions, and rising commodity prices, weighed on global stock markets.

As of the end of October, MSCI's broadest index of Asia-Pacific shares outside Japan dropped 21.98 per cent, Germany's DAX index lost 16.63 per cent, South Korea's KOSPI index fell 23.82 per cent, China's Shanghai index edged down 19.89 per cent, Hong Kong's Hang Seng index fell 36.48 per cent, while the US S&P500 index fell 18.15 per cent compared to the end of 2021.

On the domestic market, cash flow has also been affected by the changes in interest rates. Following the Fed's continuous interest rate hikes, the State Bank of Vietnam (SBV) raised interest rates for the second time this year to control inflation and reduce external impacts.

Thereby, deposit interest rates at commercial banks have also increased, attracting cash flows back to the banking system and reducing the attractiveness of short-term securities investment channels. After the pandemic was brought under control, a part of the investment capital flows on the stock market shifted back to production and business activities.

Furthermore, the stock market increased significantly between 2021 and the first quarter of 2022.

With the emergence of numerous unfavourable factors, investors saw opportunities to profit, resulting in a strong selling force on the market.

Investors' sentiment was also negatively affected by the investigations and prosecutions of a number of large real estate enterprises related to violations in the issuance of corporate bonds, affecting cash flow in the market.

According to SSC, the domestic stock market's recent corrections were caused by investors' cautious sentiment while facing uncertainties and less positive prospects in the world economy and politics and were in line with developments on the global stock market.

Under the direction of the Government and the Ministry of Finance, and in order to ensure a stable, sustainable, and transparent development of the Vietnamese stock market, the SSC has been implementing a number of measures.

Firstly, it has boosted the work of propaganda and provided official and accurate information on the policy, operating orientation, and situation of the macro-economy, stock market, and safety of the financial and monetary systems in order to stabilise investor sentiment and enhance transparency in the stock market.

SSC also strengthens inspection and supervision to enhance and strictly handle violations on the stock market, ensure the market's safe and transparent operation, and protect the legitimate rights and interests of investors; it coordinates with investigative agencies in verifying and investigating serious violations on the stock market.

The commission will improve the management, supervision, and transaction mechanism for the private placement of corporate bonds in the market by submitting to the Government Decree 65/2022/ND-CP amending a number of articles of Decree 153/2020/ND-CP on private offering and trading of corporate bonds in the domestic and international markets.

Moreover, it comprehensively reviews the provisions of the Securities Law and guiding documents to immediately overcome inadequacies and obstacles, thereby restoring trust and ensuring

the healthy, transparent, and sustainable development of the stock market.

Last but not least, it adjusts the final settlement price on the derivative expiration date, meaning that instead of ATC closing prices on the underlying market on the derivative expiration date, it is the average price in the last 30 minutes before the close of the underlying market.

Caution on owned bonds

Meanwhile, in light of recent scandals in the domestic bond market, the Ministry of Finance advised market participants to follow the law and pay attention to a few notes.

For bond issuers, with the principle that corporate bonds are self-borrowing, self-paying, and self-responsible for the efficiency of capital use, enterprises must be responsible for paying in full and on time the interest and bond principal and making commitments with investors.

On the other hand, it is the responsibility of service providers, consulting firms, issuing agents, depository agents, bond transferors, and other service providers to coordinate with the issuer and investors to ensure responsibilities in written contracts and reputation when offering services.

For investors, when an issuer experiences payment difficulties, investors can actively engage with the company and service providers to find a workable solution, protecting both investors' and issuers' interests.

As a result, investors must be careful to evaluate and classify the bonds they own in order to make the right choices and avoid acting on false rumours.

According to the ministry the corporate bond market still has potential thanks to the higher capital demand of enterprises for production and business in the future. Therefore, the Government's view is to continue to develop a safe, healthy, and transparent operating market.

6. Ba Ria – Vung Tau eyes becoming national marine economic hub

Pham Viet Thanh, Secretary of the provincial Party Committee, said the key task is to form a free trade zone associated with a deep-water seaport in Cai Mep Ha area and develop the province into a world-class high-quality tourism center following the Politburo's Resolution No. 24-NQ/TW.

Ba Ria-Vung Tau has a system of deep-water seaports spanning nearly 20km which is classified as a national special one and serves as a gateway to the East Sea of the southern region. The local Cai Mep-Thi Vai is now the only port cluster in Vietnam that accommodates ships carrying containers directly to Europe and America without transshipment through a third country.

The formation of Cai Mep Ha free trade zone in association with the 300km East-West urban-industrial corridor will create an outstanding comparative advantage of Vietnam with other countries in the Southeast Asian region in particular and the world in general given a new stage of development. It will also help develop Ba Ria-Vung Tau into a national marine economic center.

The province, meanwhile, boasts strength and potential to become a quality tourism and resort centre of international standard. It has a coastline

spanning some 300km and the Con Dao national park, which was internationally recognised as Vietnam's first ever sea Ramsar site. The park is home to 1,077 species of vascular plants, 155 species of fauna, and one of the richest and most diverse coral reefs in the country. National historical and cultural relic sites coupled with many traditional festivals of coastal people also make the province attractive to visitors.

Thanh said the province has identified tourism development as one of its important economic pillars toward becoming a high quality, world-class tourism hub. Currently, the local tourism activities mainly take place on the Vung Tau - Long Hai - Phuoc Hai - Binh Chau national tourist areas as well as on Con Dao island.

The 16-island archipelago of Con Dao is located 180km from Vung Tau city, and about 230km southeast of Ho Chi Minh City. It has a land area of nearly 6,000ha and a water surface of 14,000ha.

It is well known for beaches with white sand, deep blue water and colorful coral reefs. French colonialists and the Americans turned the island into a prison to jail Vietnamese revolutionary soldiers in wartime. The facility has attracted many local and foreign visitors in recent years.

7. Dong Nai's industrial zones attract US\$900 million of FDI in Jan-Oct

There are 23 foreign-invested projects in supporting industries, with total pledged capital of US\$231 million.

Most of these investors lease ready-built factories to produce products for local and foreign markets.

The sectors that lured the most FDI in the period are plastics, engineering, food, and logistics.

There are no projects in environmental pollution or labor-intensive industries.

Corporate News

8. HDB: Notice of bond repurchase

↑ 6.43%

On November 15, 2022, Ho Chi Minh City Development Joint Stock Commercial Bank announces the repurchase of bond issued to the public in 2020 with details as follows:

- Bond code: HDB2027_03
- Expected repurchase volume (at par value): VND200,000,000,000
- Par value: VND100,000/bond
- Total value of issuance: VND200,000,000,000
- Bond type: non-convertible bond, unsecured and without warrants

- Bond term: 07 years
- Fixed interest rate: 8.5%/year
- Issue date: December 22, 2020
- Right exercise date for repurchase: December 22, 2022
- Record date: December 08, 2022.
- After HDBank carries out to repurchase bonds, HDB2027_03 bond will be cancelled.

9. VIC: VinFast opens its first store in Canada

↑ 5.96%

The VinFast Store network in Canada is part of VinFast's go-to-market strategy, in which eight retail and service centers opening in 2022 will be the first in a network of locations to build personalised relationships with Canadian customers, ensuring reliability, convenience and peace of mind throughout the process of purchasing and owning their VinFast vehicles.

Designed to convey the "Future of Mobility" theme, VinFast Yorkdale was created with futuristic and minimalist design languages, and advanced technology for an interactive consumer experience. The spacious in-store ambience blends modern finishes sourced from local Canadian producers with design elements inspired by the beauty of Vietnam's natural wonders to provide customers with a seamless experience.

With a prime location, customers can access VinFast Yorkdale with ease to explore the interior and exterior details of VinFast's electric SUVs - the VF 8 and VF 9 - while experiencing advanced technologies and engaging one-on-one interactions with VinFast product experts. At VinFast Yorkdale, visitors will also be able to test drive the VF 8 and view vehicle features on a large LED screen – an exclusive for VinFast globally.

"The opening of the first store in Canada marks the next milestone in VinFast's global expansion journey. Our network of stores will be key in interacting with our customers, and ensuring quality service and strong relationships in Canada on our journey towards a sustainable future," said Huynh Du An, CEO of VinFast Canada.

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