



VIETNAM DAILY NEWS



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Market Analysis

1. Positive news lifts the market's sentiment: expert

The Vietnamese stock market witnessed a strong performance with an improvement in liquidity in the first trading week of 2023. The positive news was attributed to the bullish trend, according to experts.

The smooth beginning raises hope that the market will run more actively, creating disbursement opportunities for short-, medium-, and long-term investors.

According to experts from VNDirect Securities Corporation, the market focused on several internal and external factors in the first week of 2023, including China officially announcing the opening of international flight routes on January 8; phase 2 of the East North-South Expressway Project being officially launched on January 1; and draft amendments to Decree 65 amending and supplementing several articles of Decree 153 on the offering and trading of a private placement of corporate bonds in the domestic and international markets being submitted to the Ministry of Justice.

Indices all posted outstanding performances. Of which, the VN-Index on the Ho Chi Minh Stock Exchange (HoSE) soared by 4.4 per cent to 1,051.4 points last week, while the HNX-Index on the Ha Noi Stock Exchange (HNX) increased by 2.6 per cent to 210.6 points, and the UpCOM index jumped by 1.5 per cent to 72.7 points.

The market's liquidity improved, with the average trading value of the three exchanges rising 9.3 per cent to over VND11.7 trillion (US\$499.5 million). Last week, foreign investors continued to be net buyers due to a stable macro-economic backdrop and appealing stock valuations.

Specifically, at the beginning of the new year, foreign investors net bought more than VND1.6 trillion on HOSE, VND87 billion on HNX, and VND2 billion on UpCOM.

VNDirect said that after the positive week, the market's benchmark VN-Index is heading to a strong resistance area of around 1,070 points.

Although there have been some positive macro signals, such as a cooling of exchange rates and a slowdown in rate hikes, cash flows are unlikely to improve dramatically as the Lunar New Year (Tet) is coming near.

Traditionally, investors tend to lower the margin ratio to reduce interest expenses ahead of the long holidays. Therefore, it is difficult to expect the market's momentum to be maintained in the weeks leading up to Tet.

Therefore, short-term investors should consider reducing their holdings of stocks when the market enters strong resistance areas around 1,070 points and buying them back once it corrects.

Long-term investors, on the other hand, can continue to hold stocks and wait for stock indices to break out when cash flows improve post-Tet holidays.

Meanwhile, Saigon-Hanoi Securities JSC (SHS) said that the market had sent many positive signals at the end of 2022 and the beginning of 2023, given the net buying streak from foreign investors and positive movements of some pillar stocks, including bank stocks.

At the current state, the VN-Index is expected to escape the downtrend shortly. Previously, the market fell for four consecutive weeks.

Even if the VN-Index exits the bearish trend, the market is unlikely to enter the bullish phase immediately. Instead, it will move in recovery waves with narrowing ranges to accumulate more before the uptrend occurs. Therefore, at the moment, investors can participate in the market with a short-term position, as SHS recommended.

From a medium- and long-term perspective, SHS said that it is clear that after a year of trading in the downtrend, the stock price levels have dropped sharply and become more attractive, even though the market still faces many challenges this year.

Many obstacles exist, such as rising interest rates, diminishing cheap money sources, and the gloomy global economy.

The discounted stock prices to the current levels will open up new attractive medium- and long-term investment opportunities.

Macro & Policies

2. Vietnamese exporters ready for Chinese market's reopening

Many Vietnamese agricultural and aquatic products such as rice, fruits, shrimp and fish, are expected to enjoy strong export growth following China's reopening of its market. At present, prices of several products have reported surges.

Nguyen Thuy Thuan, Director of Tra Thanh Long Company in Ho Chi Minh City, said that the price of dragon fruits currently surpasses 30,000 VND (1.28 USD) per kilogramme, much higher than the 1,000-2,000 VND per kilogramme in the same period last year.

Shrimp is also one of the products that are favoured by Chinese people on the occasion of the Lunar New Year (Tet) festival which will be celebrated later this month. At present, Chinese enterprises are increasing imports of black tiger shrimp.

To meet a 40% rise in orders from Chinese partners, Anh Khoa Co. Ltd. in the southernmost province of Ca Mau is actively coordinating with farming areas to purchase shrimp right after Tet in order to serve this market.

The Border Office of the Guangxi Zhuang Autonomous Region (China) announced that it will maintain customs clearance during the Tet holidays to ensure that trade activities and supply chains are maintained smoothly to facilitate import and export activities of both sides.

From January 21 to 27 (the 30th day of the last lunar month to the sixth day of the first lunar month), all border gates in Guangxi will carry out customs clearance by appointment.

3. Vietnam's money supply forecast to rebound in 2023

After hitting a record low in 2022, Vietnam's money supply (M2) will rebound in 2023 and become an important driver for the recovery of the stock market, KB Securities Vietnam (KBSV) forecast.

Under the 2023 stock market outlook report released recently, KBSV said M2 was a factor that had a strong impact on the stock market movements. In the past, when M2 strongly increased, along with the low interest rates and the abundant cash flows into the stock market, the VN Index surged strongly, and vice versa.

KBSV cited the periods of 2006-2007, 2016-2017 and 2020-2021 as examples. In the periods, Vietnam's stock market witnessed a strong development when M2 had a high increase of more than 14% thanks to a combination of many factors such as the loosened monetary policy of the State Bank of Vietnam (SBV), the high capital absorption capacity of the economy and abundant foreign capital inflows.

In contrast, the Vietnamese stock market in the periods of 2011, 2018 and 2022 saw a correction when M2 had a low growth of less than 12.5%, together with adverse internal and external factors.

Considering 2022 alone, the growth of M2 hit a record low of only 6-7%, against the average growth rate of 14% in the 2012-2021 period. The M2 slowdown was one of the important causes of the fall of the stock market.

According to KBSV, there were two reasons for the M2 slowdown in 2022. They were the SBV's tightened monetary policy and the low disbursement rate of the government's public investment.

Forecasting for 2023, KBSV believed that M2 will see both positive and negative impacts. As for the positive side, KBSV said the SBV will have more room to further loosen monetary policies in 2023 when the exchange rate and inflation pressure is predicted to be lower compared to 2022, when

supply chain disruptions are gradually improved, the reduction in global consumption demand helps lower commodity prices, and the US Federal Reserve (Fed) is forecast to end the interest rate hike at the end of the first quarter of 2023.

Accordingly, the SBV may resume its US dollar purchase in the context of having a good dollar supply thanks to a trade surplus, rising remittances and FDI. The move will help increase the country's foreign exchange reserves and support the liquidity of the banking system, which will contribute to lowering the savings interest rates and improving M2 growth.

Besides, the disbursement rate of public investment is expected to improve to more than 80% of the yearly plan (compared to 75% of 2022), which will help unfreeze the capital source blocked in the State Treasury to support liquidity for the economy.

However, on the contrary, KBSV said there will be still negative factors for M2 in 2023. For example, the demand for new loans of businesses and households is forecast to go down this year due to the high interest rates while business conditions are predicted to be less favorable in 2023. Despite being projected to be less stressful, liquidity of the system in 2023 is unlikely to soon return to a stable level.

Besides, the reopening of China will boost the prices of oil and gas in particular and of other global raw

materials in general, which will put pressure on the prices of many other consumer goods and services, and cause global inflation to rise, making central banks around the world look to possibly maintaining tightened monetary policy for longer than expected.

In addition, risks related to the corporate bond market will be also notable as the pressure of maturity of the bonds is huge in 2023. A significant amount of credit will be used to serve the purpose of corporate bond settlement, which will cause the actual credit supply to shrink. Notably, if in a negative scenario, banks' bad debts can increase sharply under the influence of the collapse of the corporate bond market, and banks' lending activities are likely to be significantly narrowed, causing M2 to slow.

KBSV forecast the credit growth in 2023 will be 13-14% while the rising rate for capital mobilization will be 12%, which will help M2 to increase to 13% from 7% in 2022. Liquidity of the banking system, accordingly, will be less stressful, enabling interest rates to cool down compared to the last quarter of 2022, despite being still at high levels.

With the high correlation of M2 and Price to Earnings ratio (P/E) of the VN Index as analyzed above, KBSV said the growth of M2 in 2023 will be an important driver to help P/E of the market balance again.

4. Companies' profit growth may cool down but market sees potential

Viet Nam's economy in 2023 still faces many challenges, affected by slowing exports and increased unemployment, said Nguyen Hoai Phuong, Investment Director of VinaCapital, at a Talkshow organised by the Dau tu (Investment) newspaper last week.

Retail growth will slow down from the recovery in 2022, she said.

"Another risk to watch out for is the maturity of real estate corporate bonds, up to US\$7.2 billion. This partly affects the profit picture of two big sectors of the stock market, namely real estate and banking."

Currently, many organisations forecast that the profit growth of listed companies will cool down in 2023. However, experts say that this is not the focus of the stock market this year. Instead, investors are paying attention to a number of supporting factors.

First is the disbursement of public investment. Along with the Government's determination and progress for key projects, the disbursement rate of public investment in 2023 is forecast to increase compared to 2022, thereby also promoting economic growth, and at the same time pressure from construction costs will be significantly reduced.

Second, China will open its economy. Currently, there is no specific time for China to officially open its economy. However, the move to relax social distancing regulations also shows a change in the strategy of this country. Reopening China's economy will have a positive impact on many fields of Viet Nam's economy such as import and export, tourism, and raw materials.

Third, the exchange rate and interest rate cooled down. This will help some businesses to access capital flow and liquidity will be under less pressure than in 2022.

Fourth, exports to the US or EU may recover in the second half of 2023. Profits are growing against a low base in 2022 as exports have slowed. In addition, a number of factors such as falling transportation costs, falling petrol prices and declining commodity prices, also contribute to the profit growth of enterprises.

Better 2023

Nguyen Hoai Phuong said that the market is no longer at risk of a sharp drop. Recently, the stock market still fluctuated in a narrow range and amid weak sentiment. Therefore, there will be room for the market to recover when the supporting factors

of the economy and the market are more obvious in the coming months, respectively.

According to Hoang Viet Phuong, Director of SSI Research, the internal factors of the stock market recently stem from the inadequacies of the corporate bond market and the real estate market. These two markets are closely related to the banking system, so it has had a large impact on the economy.

In 2023, SSI Research forecasts that interest rates are likely to cool down, but we need to wait until that interest rate becomes lower and attractive enough to stimulate demand in the real estate market, she said.

Bond maturity creates pressure in 2023, so we need to wait for the draft amendment to Decree 65 to be approved to help alleviate these pressures.

For example, the amendment of Decree 65 will be passed, interest rates' upward momentum will slow down and reverse to decrease, the exchange rate will be stable and public investment disbursement will become stronger. Those are the factors that support the market. In the positive scenario, the market is still likely to grow by 5-10 per cent in 2023.

5. Viet Nam's 500 largest enterprises in 2022 announced

This information was announced at the VNR500 award ceremony and top 10 prestigious companies in the fields of pharmacy, logistics, tourism, transportation and animal feed in 2022 held by Vietnam Report JSC and VietNamNet online newspaper on Thursday.

The VNR500 list includes Samsung Electronics Thai Nguyen Co Ltd, Vietnam Oil and Gas Group (Petrovietnam), Viet Nam Electricity (EVN), Viet Nam National Petroleum Group (Petrolimex), Hoa Phat Group JSC, Viettel Military Industry and Telecoms Group (Viettel), Vingroup JSC, Viet Nam Bank for Agriculture and Rural Development (Agribank), Mobile World Investment Corporation and Joint Stock Commercial Bank for Investment and Development of Viet Nam (BIDV), among others. These are the businesses that regularly lead the VNR500 rankings.

The Hoa Phat Group JSC, Vingroup JSC and Mobile World Investment Corporation, together with Masan Group, Doji Gold & Gems Group JSC, Viet Nam Prosperity Joint Stock Commercial Bank (VPBank), Viet Nam Dairy Products JSC (Vinamilk), Truong Hai Group, Thanh Cong Group and Viet Nam Technological and Commercial Joint Stock Bank (Techcombank) are the top 10 private firms in VNR500.

Vu Dang Vinh, General Director of the Vietnam Report JSC, stressed that the businesses have maintained their roles as engines of the national economy. He hailed their effective strategies, progress in digitalisation and new administrative mindset.

In 2022, Viet Nam was a bright spot in the region's economy, with GDP growth of 8.02 per cent, but businesses in the VNR500 saw worse performance than in 2021.

Statistics from the VNR500 ranking in 2022 showed that most industries suffered a decrease in revenue compared to last year's ranking. The biggest bright spot came from retail, with a total revenue growth of up to 120 per cent.

Return on equity (ROE) of the enterprises decreased sharply compared to last year, from 16.4 per cent to 11.2 per cent. Return on assets (ROA) and return on sales (ROS) recorded slight increases for FDI and private enterprises, but a decrease for SOEs.

Vietnam Report recognised five major difficulties faced by the VNR500 business community in 2022,

including fluctuations in energy prices and input materials; competition among enterprises in the same industry; supply chain risks; pressure from the rising exchange rate; and decreasing demand for shopping and consumption.

On this occasion, Vietnam Report debuted a bilingual report – Viet Nam Economic White Paper 2023 - which reviews achievements the country recorded in 2022, collects viewpoints of experts and businesspeople on economic policies as well as lessons to overcome difficulties, and mentions forecasts for Viet Nam's economy in 2023.

6. Non-cash payment through NAPAS doubled in 2022

NAPAS General Director Nguyen Quang Minh unveiled the information at a conference held in Hanoi on January 4.

“In 2022, NAPAS has completed the key tasks assigned by the State Bank of Vietnam and closely followed the non-cash payment development plan for the 2021-2025 period. It has promoted its role as a supplier of the national payment infrastructure, financial switching services, supporting banks, financial companies, payment intermediaries and partners to develop a digital payment ecosystem while increasing convenience and payment experience for all people,” he said.

Minh also said the proportion of cash withdrawals in total transactions processed through the NAPAS system decreased from 12% in 2021 to 6.56% in 2022.

In terms of ensuring safe, stable and smooth operating infrastructure in 2022, the service-level agreement (SLA) for ATM/POS switching services; online card payment and NAPAS 247 Quick Transfer service reached nearly 100%.

NAPAS has always been ready in terms of systems and resources and developed plans to ensure the safety of important information systems. At the same time, it has expanded its processing capacity

to meet the demand for large transaction volume growth during peak times of the year.

The proportion of chip card transactions made through the NAPAS system increased from 26% in 2021 to more than 60% in 2022.

The total number of transactions and total value through the NAPAS system rose by 96.5% and 87.3% from the figures last year, respectively.

The NAPAS 247 Quick Transfer service with VietQR code also had impressive growth after more than a year since launch.

NAPAS completed the project of interconnecting NAPAS 247 Quick Transfer service with Mobile Money accounts at VNPT and Viettel; expanding the form of payment by VietQR code on the national public service portal with 17 banks. It has also implemented projects to strengthen international connections between card organisations and switching companies of Thailand, the Republic of Korea, Cambodia, and Russia.

In addition, NAPAS has expanded the payment ecosystem and increased convenience for users by promoting cooperation with banks and financial companies participating in domestic credit card issuance as well as Vinbus payment service to customers of 18 banks.

It has implemented many programmes to support its members in 2022 such as completing the conversion of chip cards according to the basic standards of the central bank's domestic chip cards.

NAPAS reduced fees for member organisations under the exemption and reduction of switching service programme of up to 1.7 trillion VND (nearly 73 million USD).

Speaking at the conference, Deputy Governor of State Bank of Vietnam Pham Tien Dung said the continued reduction in the proportion of cash withdrawal transactions compared to the total transactions and the increase in the proportion of Vietnam Chip Card Standard (VCCS) – domestic chip card standards processed through the NAPAS system in 2022 showed a development in NAPAS'

operation. This also showed that banks are also gradually shifting to VCCS chip cards.

In addition, promoting payment implementation for seven public service groups on the National Public Service Portal and strengthening international payment connections with some countries are also a bright spot in NAPAS' activities in 2022, he added.

Nguyen Quang Hung, Chairman of the Board of Directors of NAPAS, said they would actively and closely coordinate with banks, payment intermediaries, domestic and international partners to build and developing a multi-service digital payment ecosystem, contributing to promoting the non-cash payment, comprehensive financial universalisation towards the goal of building a digital economy and digital nation.

7. Vietnamese shrimp exporters see profits in 2022 thanks to FTAs

Ho Quoc Luc, Chairman of Sao Ta Foods JSC, revealed that his company had had a hard time dealing with falling revenues and mounting costs.

The falling revenues came from the fact that high inflation in the US and EU has sapped consumption, leading to fewer orders from abroad.

The depreciation of the euro against the Vietnamese dong, and the mounting transport costs in major importing countries fuelled the situation, adding to its bills.

Amid the unfavourable conditions, the company has doubled down on processed seafood to target high-end markets to make up for its reduced earnings, and succeeded.

He said Japan was its alternative market that has an appetite for extensively-processed shrimp, in terms of which Vietnamese companies have a huge competitive advantage over Ecuadorian and Indian rivals.

Thanks to its change in customer base, the company has managed to maintain sales and turn the low

transport costs in the market to its advantage. In fact, Japan has become its largest importer in the past two years.

Truong Dinh Hoe, General Secretary of the Vietnam Association of Seafood Exporters and Producers (VASEP), estimated total Vietnamese shrimp exports in 2022 at 4.3 billion USD, up 10% year-by-year.

He said free trade agreements (FTA), including CPTPP and EVFTA, were one factor that has helped Vietnamese shrimp producers to pull off such a high figure in difficult times.

The agreement put Vietnamese shrimp at a tariff advantage over those from non-FTA countries and allowed the seafood to enter foreign markets more easily. Specifically, Vietnamese shrimp exports to Canada, Mexico, and Australia rose by 30% on the back of the trade deals.

Perseverance was another factor. Hoe said Vietnamese shrimp producers kept shrimp farms up even at the peak time of the pandemic. This risky

move has kept output stable and enabled faster post-pandemic production recovery.

"One lesson learned from the pandemic: perseverance is the key to recovery. Thanks to their perseverance, shrimp producers took less time to recover than those operating in other industries," said Hoe.

Le Hang, communication director of VASEP, shared Hoe's view, saying the FTA was a major factor that was helping Vietnamese seafood exports sustain the momentum in 2022.

Remarkably, Vietnamese seafood exports to CPTPP countries went up 315 during the year, raking in 2.9 billion USD. She said FTA-induced tariff advantages

had been fully exploited to boost sales, filling the gap left by the weakening demand in other countries.

The director believed that FTA countries, especially ASEAN and China, would remain the best alternatives for inflation-ravaged importers in 2023.

"China is expected to ease the 'Zero COVID' policy in the short term, unlocking a market of 1.5 billion potential customers to Vietnamese seafood producers," said Hang.

With such a great opportunity in sight, she urged the producers to stockpile raw materials and mobilise capital to get the upper hand once the country is fully opened.

Corporate News

8. GEG: GEG sets up a subsidiary

↓ -1.60%

On January 03, 2023, the Board of Directors of Gia Lai Electricity Joint Stock Company (GEG)

approved to establish Solwind Energy Joint Stock Company, in which GEG owns 49.99%.

9. TLH: Resolution on the dividend payment

↑ 3.10%

The Board of Directors of Tien Len Steel Corporation Joint Stock Company approved to pay for the 2021 dividend in cash:

- Record date: January 19, 2023
- Payment date: February 10, 2023
- Dividend pay-out ratio: 5%/ par value (VND500/ share).

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