# VIETNAM DAILY NEWS

**January 31st, 2023**

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# Market Analysis

## 1. VN-Index weighed by large-cap losses

Indices settled mixed yesterday with the market benchmark VN-Index ending the long gaining streak to fall more than 1 per cent. The bearish trend was cushioned by momentum from foreign investors' bullish sentiment.

On the Ho Chi Minh Stock Exchange (HOSE), the VN-Index closed the trading day at 1,102.57 points, a decline of 14.53 points, or 1.3 per cent.

After a week off due to the Tet (Lunar New Year) holiday, the market opened the first session of the Year of the Cat on a positive note last Friday, marking the VN-Index's eight-day gaining streak.

The market's breadth, however, remained in positive territory as there are more stocks staying in a bullish market. Specifically, 193 stocks on HoSE added points, while 149 stocks inched lower.

Liquidity increased over the previous session, with more than VND13.6 trillion (US$581 million) worth of stocks traded on the southern bourse. This value was equivalent to a trading volume of nearly 798.7 million shares.

The index was hit by strong selling pressure as many pillar stocks in key industries such as banking, real estate, and manufacturing faced sell-offs.

The 30 biggest stocks tracker VN30-Index also plunged by 16.7 points, or 1.48 per cent, to 1,113.95 points. In the VN30 basket, up to 22 stocks were in a downtrend, while six stocks advanced. And two stayed flat.

Data compiled by financial website vietstock.vn showed that Vietcombank was the biggest loser yesterday, down 3.33 per cent in market capitalization. It was followed by Vinhomes (VHM), Vingroup (VIC), Asia Commercial Joint Stock Bank (ACB) and PV Gas (GAS). These stocks posted losses in a range of 1.48-3.61 per cent.

Other banks and big stocks witnessing sharp falls were VPBank (VPB), MBBank (MBB), Vietinbank (CTG), Techcombank (TCB), Vietnam Rubber Group (GVR), Masan Group (MSN), Sabeco (SAB), and Vincom Retail (VRE), down at least 1.2 per cent.

On the contrary, the HNX-Index on the Hà Nội Stock Exchange (HNX) extended its rally trend. It finished the day at 220.78 points, a slight gain of 0.02 points, or 0.01 per cent.

During the session, over 107.4 million shares were traded on the northern market, worth nearly VND 1.6 trillion.

The market received support from foreign investors as they continued to disburse capital. Of which, they net bought a value of VND745.81 billion on HOSE and VND26.73 billion on HNX.

# Macro & Policies

## 2. Vietnam posts trade surplus of 3.6 billion USD in January

Despite decreases in both imports and exports, the country still enjoyed a trade surplus of 3.6 billion USD in the first month of 2023, according to the General Statistics Office (GSO).

The office reported that in the month, total import-export turnover reached 46.56 billion USD, down 17.3% over the previous month and 25% year on year, with exports dropping 21.3% to 25.08 billion USD, and imports falling 28.9% to 21.48 billion USD.

While the domestic sector saw a trade deficit of 1.04 billion USD, the foreign-invested sector (including crude oil) posted a surplus of 4.64 billion USD.

Experts attributed the result to the long New Year and Lunar New Year (Tet) holidays, which were all in January, reducing the number of working days. Last year, the Tet holiday fell in February.

The GSO reported that the manufacturing-processing sector earned the highest export revenue with 22.32 billion USD, accounting for 89% of the country's total.

Meanwhile, there were three goods groups with imports of over 1 billion USD.

In January, the US remained the biggest importer of Vietnamese goods with a revenue of about 7.6 billion USD, while China was the biggest exporter to Vietnam with 8.1 billion USD.

The GSO held that many countries are facing the threat of inflation and economic recession, leading to reduction in global consumption, thus affecting Vietnam's import-export activities.

Export activities showed signs of slowing down from the fourth quarter of 2022 with fewer orders, it said, adding that 2023 is likely to be a tough year for Vietnam's import-export.

According to the Ministry of Industry and Trade (MoIT), Vietnam's exports depend on many outside factors, but tax reduction from free trade agreements that Vietnam has joined and the strengthening of socio-economic recovery and development will motivate exports this year.

In 2023, the MoIT sets a target of a 6% rise in goods export revenue, with trade surplus maintained.

## 3. Newly registered FDI capital triples in January

Statistics from the Foreign Investment Agency under the Ministry of Planning and Investment show total foreign investment capital reached US$1.69 billion as of January 20, down 19.8% year on year.

Of the total, US$1.2 billion came from 153 newly registered capital, representing a 3.1fold increase compared to the same period last year.

89 other projects registered for capital adjustment, with a total additional capital of US$306.3 million, down 75.9% year on year.

Foreign financiers also spent US$174.1 million purchasing shares, down 60.7% over the same period last year.

Meanwhile, disbursed FDI capital fell 16.3% year on year to US$1.35 billion, according to the Foreign Investment Agency.

As January 2023 saw people enjoy long New Year and lunar New Year breaks, the decrease in both registered and disbursed FDI capital has yet to reflect the general trend of foreign investment capital flows in 2023, said the agency.

## 4. Foreign investors remain optimistic about Vietnamese stock market

From being net sellers in the first nine months of 2022, foreign investors have become the driving force supporting the Vietnamese stock market in the last few months, and the inflows are expected to continue this year.

In 2022, this group net disbursed more than VND29.2 trillion (US$1.2 billion) to the market, while it has net sold nearly VND18.8 trillion and set a record net selling value of over VND62.2 trillion in 2021.

In November alone, more than VN16 trillion in net disbursed cash flow from foreign investors was significantly supported by exchange-traded fund (ETF) capital inflows into the market, primarily from the Fubon ETF and the VNDiamond Index-based ETF.

A study by BIDV Securities Company (BSC) analysing over $50 billion owned by foreign investors on the Vietnamese stock market showed that more than half of foreign ownership is owned by strategic investors. This group usually holds stocks for the long term.

The second group consists of investment funds, typically from Europe, that invest the majority of their assets in Vietnamese securities. These investors are attached to the development of the market, and the investment depends on the amount of money raised from investors.

There are also a group of index funds, which account for more than 10 per cent of the number of shares held by foreign investors and operate quite flexibly, and a group of investors who buy securities through P-notes (participatory notes).

The market's drop in October and the first half of November prompted a cash inflow into the Vietnamese stock market. Positive cash flow spread across many ETFs.

The total net inflow of ETFs reached nearly VND7 trillion in October, the highest value recorded since April 2021. For the first ten months of 2022, ETF capital flow reported a record value of over VND18.8 trillion, far exceeding the value of VND13.5 trillion for the whole year of 2021.

Besides accelerating capital disbursement in the stock market, some signals showed that cash flow will continue to flow into the stock market in 2023.

In early December 2022, VanEck Vietnam ETF (VNM ETF) said that it agreed to change the benchmark index from MVIS Vietnam Index to Market Vector Vietnam Local Index. Accordingly, the MVIS Vietnam Index will be deleted and transferred to the Market Vector Vietnam Local Index.

With the change of the base index, VNM ETF is expected to increase the proportion of Viet Nam to 100 per cent, equivalent to more than $100 million pouring into the domestic stock market. The expected effective date is March 17.

Previously, the Fubon FTSE Vietnam ETF from Taiwan (China) was also licenced to raise additional capital for the fourth time, with a scale of up to TW$ 5 billion (nearly VN4 trillion) at the end of November 2022.The fund's fourth offering started on November 23, 2022.

The ETF aims to invest 100 per cent in Vietnamese stocks and selected potential industries. The fund will disburse new investments into Vietnamese stocks from December 2022 to February 2023.

Factors attracting foreign investors

In a letter to investors last month, PYN Elite said that the market benchmark VN-Index hit the bottom in last November at 900 points and has the opportunity to grow positively in 2023.

"The confidence in the market improved. We expect the VN-Index to move in sync with Vietnamese economic growth and the expected increase in corporate profits in 2023. Among ASEAN countries, Viet Nam has the strongest prospects for economic and corporate profit growth," said PYN Elite.

In fact, one of the driving forces pulling foreign cash flows back to the market recently was the attractive valuation of the market. The VN-Index ended 2022 at 1,007.09 points, equivalent to a decrease of 32.78 per cent over the beginning of the year and in the Top Five markets with the strongest declines.

According to the AFC Vietnam Fund, Viet Nam is one of the fastest-growing economies in the world, with GDP in 2022 growing by 8.02 per cent and expected to gain 6 per cent in 2023. Therefore, the recent decline in the stock market has brought the market valuation down to an extremely attractive level, with a forward P/E of 2023 at 8.1, compared to 11.5x in the Philippines, 12.5x in Malaysia, and 14.8x in Thailand.

"In our view, this creates an excellent buying opportunity for long-term investors. Another interesting thing is that, compared to the S&P 500, emerging markets are trading at a 34-year low. This makes investors consider whether all the bad news has already been reflected in the price and whether there will be any such opportunity in the next ten years," AFC Vietnam Fund said.

Foreign investors also expect Viet Nam's market to be upgraded to an emerging market. According to JPMorgan's CEO in the Asia-Pacific region, if it is upgraded to emerging market status, the market will receive approximately $5 billion from ETFs. Therefore, the fact that the market is in a period of low valuation is a very good opportunity to invest and hold.

In addition to an attractive valuation, the Vietnamese market benefits from other macro factors in the global market. Specifically, a weakening dollar helps capital flows move into emerging markets, or the reopening of China at the beginning of 2023 will help cash flows flock into markets in Asia such as Viet Nam, India, South Korea, and Taiwan (China).

## 5. More realty businesses established, resume operations in 2022

The number of newly-established enterprises and businesses resuming operations in the real estate market saw a remarkable rise last year, said the Ministry of Construction.

As per statistics from the Ministry of Planning and Investment's Business Registration Management Agency, there were 8,593 new enterprises and 2,081 businesses resuming operations in 2022, up 13.7% and 56.7% year-on-year.

Meanwhile, the number of firms declaring bankruptcy or dissolution also grew by 38.7% against 2021.

The Ministry of Construction said 2022 still saw many challenges facing realty firms and forcing them to change their business and management plans. The changes included debt restructuring, scaling down production and investment, streamlining apparatus, and suspending new projects, among others.

In the face of complicated economic developments, from the middle of the third quarter to the end of last year, the operations of real estate exchanges also showed signs of difficulties. Less transactions were conducted compared to the beginning of the year, leading to a decrease in the scale of the trading floors, whose number is now more than 1,100.

According to the Foreign Investment Agency under the Ministry of Planning and Investment, 103 transactions of capital contribution and share purchase were recorded in the sector in the year as of December 20, with their accumulative value reaching some 1.6 billion USD.

## 6. Target set to raise proportion of manufacturing technology in GDP to 30% by 2030

In order to effectively implement the Politburo's Resolution No 29 regarding continuing to accelerate the national industrialisation and modernisation process until 2030 with a vision towards 2045, the project on restructuring the industry and trade sector in the period up to 2030 has just been submitted to the Government by the Ministry of Industry and Trade. In line with this, the Ministry of Industry and Trade has set a target in this period that the industrial value-added growth rate will reach an average of over 8.5% annually.

It is anticipated that the proportion of the value of high-tech industrial products in the processing and manufacturing industries will reach over 45%, whilst the export proportion of processed and manufactured goods will rise to about 90%.

According to the assessment made by the Ministry of Industry and Trade, the national industrialisation process in recent years still has endured some limitations, particularly as industrial development has not met the requirements of industrialisation and modernisation, whilst low added value that has not been deeply involved in regional and global value chains.

The internal strength of the industry and the economy therefore remains weak, with independent capacity and low self-control that still depends heavily on the foreign-invested sector.

Furthermore, the capacity of industrial enterprises, especially with regard to the level of science and technology, remains limited. In line with this, platform industries and industries prioritised for development have so far failed to meet the set targets.

Deputy Minister of Industry and Trade Do Thang Hai has therefore frankly acknowledged the current situation with regard to Vietnamese industry, with these limitations being one of the fundamental causes of slowing down the process of industrialisation, failing to realise the goal of turning the nation into a modern industrialized country by 2020.

Economic expert Phan Duc Hieu, a standing member of the National Assembly NA)'s Economic Committee, acknowledged that it is necessary to solve any existing shortcomings and weaknesses.

Nguyen Chi Sang, vice chairman of the Vietnam Association of Mechanical Enterprises, also said that Vietnamese industry depends a lot on imports, while many are able to completely manufacture for themselves, thus improving the localisation rate.

Although imports and exports reached over US$700 billion last year, 75% of them belonged to foreign direct investment (FDI), figures which ultimately mean foreign dependence.

As a means of overcoming these shortcomings and limitations, in order to achieve the criteria of becoming an industrial country through the project on restructuring the industry and trade sector ahead of 2030, the Ministry of Industry and Trade has proposed many solutions. There is a particular focus on fine-tuning the legal system, as well as developing criteria to restructure the list of fundamental and prioritised industries for the 2030 and 2045 period.

Appreciating the solutions proposed by the industry and trade sector, including promoting the development of supporting industries in order to serve major export industries such as electronics, automobiles, garments and textiles, footwear, mechanics, and high technology, economist, Dr. Le Dang Doanh underlined the need to utilise the nation's advantages for sustainable industrial development.

Specifically, the industrialization process should combine agriculture and industry, whilst also building fields for processing agricultural products in a bid to increase the value of Vietnamese agricultural products.

Agreeing with this point of view, Le Thuy Trung, deputy head of the Department of Industrial Economics and Services under the Ministry of Planning and Investment, emphasized the role of localisation in industries and the role of connecting Vietnamese enterprises with FDI ones in the supply chain.

Most notably, the Ministry of Industry and Trade's project on restructuring the Industry and trade sector for the period towards 2030 also specifically stated the focus on fully developing the domestic industrial production system through upgrading and developing the supply and value chain of industries.

It can be viewed as necessary to focus on localising the supply chain of industries to reduce dependence on imported machinery, equipment, and raw materials, as well as striving to enhance autonomy, improve domestic added value, and the overall competitiveness of products and the position of Vietnamese enterprises in the global value chain.

## 7. Export of goods to China returns to normal after Tet holiday

Lang Son's border gates such Huu Nghi, Tan Thanh, Chi Ma, and Coc Nam resumed daily routine on January 28, reported the Management Board of Dong Dang - Lang Son Border Gate Economic Zone.

China earlier released a notice, saying the Lunar New Year break time started from January 21. However, customs clearance for pre-registered import and export goods was given from January 23 to 27.

Though local people were celebrating the lunar New Year break, the Management Board of Dong Dang - Lang Son Border Gate Economic Zone requested relevant units to arrange staff to support businesses wishing to have customs procedures cleared at the border gates.

On January 27 alone, customs officers at Huu Nghi, Tan Thanh, Chi Ma, and Coc Nam border gates completed customs procedures for a total of 242 container trucks mostly carrying fruit and vegetables.

Elsewhere in neighbouring province of Lao Cai, customs officers at the Lao Cai International Border Gate handled procedures for 263 declarations during the week-long holiday, with a total volume of 9,000 tonnes of goods, mainly agricultural products.

# Corporate News

## 8. HPG: Information on the business performance in Quarter 4.2022

**↑ 1.16%**

Hoa Phat Group Joint Stock Company announces the information on the business performance in Quarter 4.2022 as follows:

- Revenue: VND26,000 billion, decreased by 42% compared to the same period of last year

- Profit after tax: less than -VND2,000 billion, continue to decrease compared to the Quarter 3.2022.

Accumulation in 2022:

- Revenue: VND142,000 billion, decreased by 5% compared to 2021

- Profit after tax: more than VND8,400 billion, equal to 24% compared to 2021.

## 9. LPB: SSC approved the result of the first bond public offering

**↓ -3.33%**

Lien Viet Post Joint Stock Commercial Bank received the Official Dispatch No.304/UBCK-QLCB dated January 18, 2023 from the State Securities Commission of Vietnam (SSC) regarding the approval of the report on result of the first bond public offering of Lien Viet Post Joint Stock Commercial Bank (LPB).

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