



VIETNAM DAILY NEWS



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Market Analysis

1. Market likely to return to 1,000 point-level on positive signals

The Vietnamese stock market struggled last week as the benchmark VN-Index fluctuated in a large range. Experts said that there are more positive signals supporting the index to recover to the 1,000 point-level.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index ended last week with a strong gain of 23.75 points, or 2.51 per cent, to 971.46 points, while the HNX-Index on the Ha Noi Stock Exchange (HNX) rose by 5.55 points, or 2.9 per cent, to 196.77 points.

For the week, however, the VN-Index only added up 0.22 per cent, whereas the HNX-Index gained over 3 per cent.

The VN-Index dropped for the first three consecutive sessions of the week, but rebounded sharply at the end of last week.

Large stocks in banking, securities, and real estate industries were the main driving force for the benchmark's recovery. The gaining session at the end of the week helped improve investors' sentiment.

The market's liquidity decreased by 13.7 per cent over the previous week with the average trading value on all three exchanges reaching over VND11.45 trillion a session (US\$462.4 million).

Meanwhile, foreign investors continued to be positive contributors, cushioning the market's bearish trend in the past week as they were net buyers of VND1.6 trillion on HOSE, but down 67.9 per cent compared to the previous week. This also marked their third consecutive week of net buying.

With the developments in the market, Saigon - Hanoi Securities JSC (SHS) said that there were positive signals showing that the market is gradually stabilising and tends to accumulate when the VN-Index successfully reverses the

downtrend and continues to fluctuate in a narrow range. It is likely that the market benchmark will break the long-term downtrend in the short term and move into a more active accumulation phase.

On one hand, in international markets, the US Federal Reserve signalled that it would soon slow down the interest rate hike, while the dollar index has continuously gone down recently and has reached a range of 105-106 points, helping ease the pressure on the domestic exchange rate.

On the other hand, in the domestic market, Vietcombank announced that it will reduce lending interest rates up to 1 per cent for customers. And the government is considering solutions to support the real estate market and corporate bonds, such as loosening credit restrictions and, if necessary, amending Decree 65 on corporate bond issuance.

However, the market is still in a downtrend, so shares are likely to witness strong declines and recoveries before stabilising again and entering a new bullish phase. Therefore, the company recommends that investors should not participate in the market with a large proportion during the period and avoid panic buying in rising sessions.

For long-term portfolios, investors should be patient and continue to hold the current proportion of stocks in their investment portfolios because the market has begun to send out positive recovery signals. If buying new stocks, investors should choose stocks that have good fundamentals and growth potential, or are leading stocks in the industry, and tend to recover stronger than the general market.

Similarly, VCB Securities (VCBS) also recommends investors to limit buying in stocks if the market increased sharply, keep the proportion of shares at about 30 per cent of the account to be able to

manage risks if the market suddenly face selling pressure.

From a technical perspective, VCBS believes that 970 - 980 point area is still a strong resistance of

the market in the short term. If the active buying liquidity is maintained well, helping the general index overcome resistance, the index will be able to extend to 1,000 - 1,020 points.

Macro & Policies

2. High fertiliser prices and rising export demand help businesses earn more profits

PetroVietnam Ca Mau Fertiliser JSC (DCM) recorded Q3 net revenue of VND3.3 trillion (US\$132.8 million), up 82.5 per cent over the same period last year. Cost of goods sold increased to more than VND2.3 trillion, making DCM's gross profit on sales and service provision reach more than VND1 trillion, up 73 per cent year-on-year.

After deducting expenses, DCM reported profit after tax of VND731 billion, up 95 per cent.

According to the company, in the third quarter of 2022, the consumption of all kinds of products increased by 30 per cent over the same period last year. Fertiliser prices continued to stay high with urea fertiliser reaching VND13,781 per kilogramme, up 32 per cent, NPK fertiliser reaching VND14,045 per kilogramme, up 20.4 per cent, making revenue from sales increase sharply. Along with that, income from financial activities also increased strongly thanks to the profit on exchange rate differences.

The factors of production costs, selling expenses, and administrative expenses all increased due to fluctuations in input materials. However, thanks to rising sales volume and fertiliser prices, the profit after corporate income tax increased sharply over the same period last year.

In nine months, DCM's net revenue totaled VND11.47 trillion, up 90 per cent year-on-year and profit after tax was VND3.27 trillion, four times higher than the same period last year. With this result, DCM exceeded 27 per cent of the revenue target and 538 per cent of the profit plan.

PetroVietnam Fertiliser & Chemicals Corporation (DPM) recorded Q3 net revenue of nearly VND3.89 trillion, up 38 per cent over the same period last year. Profit after tax reached VND1 trillion, up 59 per cent over the same period last year.

According to DPM, the increase in fertiliser output and selling price created positive business results in the third quarter.

In the first nine months of the year, DPM's revenue reached more than VND14.7 trillion, up more than 91 per cent over the same period last year. Profit after tax reached nearly VND4.4 trillion, up 201 per cent compared to the first nine months of 2021 and exceeding 28 per cent of the profit plan in 2022.

In 2022, due to the unstable global political and economic situation, fertiliser prices have fluctuated unpredictably. Domestically, the high price of agricultural inputs and difficulties in consumption have negatively impacted agricultural production, causing fertiliser trading to face many obstacles due to very weak purchasing power.

However, DPM promptly seized the opportunity of high fertiliser prices to boost exports after fully meeting domestic demand. Export volume in the first nine months of the year reached about 155,000 tonnes, three times higher than the whole year's plan.

In the third quarter of 2022, Duc Giang Chemicals Group (DGC) recorded revenue of nearly VND3.7 trillion, up 75.5 per cent over the same period last year. Cost of goods sold (COGS) increased 40 per cent, so gross profit on sales increased by 157 per cent to VND1.65 trillion.

Financial revenue also increased strongly by 255 per cent to VND143.6 billion; while the cost for this activity reached nearly VND15 billion. Selling expenses reached VND145 billion, and administrative expenses totalled nearly VND34 billion, up 18 per cent and 11.4 per cent, respectively over the same period last year. As a result, in the third quarter of 2022, DGC reported a net profit of more than VND1.5 trillion, up 210 per cent year-on-year.

In the first nine months of 2022, DGC recorded VND11.3 trillion in revenue, up 86 per cent. Profit after tax reached VND4.9 trillion, up 342 per cent over the same period last year. With this result, DGC has achieved 93 per cent of the revenue target and 140 per cent of the profit target for the year.

Promising prospect

Although fertiliser prices in the domestic market have adjusted down from the peak, many commodities still stay at high levels. For example, the average selling prices of urea products in the third quarter of 2022 of DPM fertiliser reached nearly VND13.8 million per tonne, up nearly 33 per cent compared to the same period in 2021. NPK products also increased by more than 20 per cent to more than VND14 million per tonne.

A promising export market also contributed positively to the sharp increase in profits of many fertiliser and chemical enterprises. According to data from the General Department of Customs, in the first nine months of this year, the total fertiliser export volume reached nearly 1.39 million tonnes with a turnover of \$886 million, up 45 per cent in output and 166 per cent in turnover compared to the same period in 2021.

BIDV Securities Company (BSC) said that the outlook for the fertiliser and chemical industry at the end of this year is still positive thanks to the high selling prices compared to the same period last year, although the growth rate has decreased. Domestic urea price is expected to recover at the end of the year thanks to improved fertiliser demand at the start of the year's biggest crop and an increase in rice prices stimulating farmers to use fertiliser. In addition, the world urea price showed signs of recovery due to the gas crisis in Europe.

According to KIS Vietnam Securities Co, normally, the fourth quarter is the peak fertiliser consumption season. In October, the selling price of urea fertiliser is about VND15,000-15,800 per kilogramme. KIS Vietnam expects the selling price to increase further and peak at VND16,500-17,000 per kilogramme in November-December of the winter-spring crop.

3. Shipping costs gone down to pre-pandemic level

Dang Dinh Long, CEO of Logistics Mega A, a logistics and warehouse solutions company in Viet Nam, said traditionally, this time of the year would be high-season for freighters and exporters alike with Vietnamese firms looking to deliver their goods to international markets.

This year, however, has seen demand plummet in most major markets even with Christmas and New Year approaching due to consumers being forced to cut spending and inflation. This has translated in fewer orders of goods, sending freighters into a scramble to find exporters.

Freighters have even started accepting small orders at low prices in the hope they may be able to pool them together to make a trip worthwhile, Long said. Typically, freighters do not accept orders with fewer than 2,000-3,000 containers but now they have been signing those with less than 800.

"We must stay open for business. Even small orders now are a good thing as we can save on storage cost for all those empty containers lying at the ports," he said.

Long said a 40-foot container heading for China that could bring in US\$7,000-8,000 just four months ago

has now dropped to \$1,600-1,700. The US was not much better, at just under \$2,000 per container and slightly higher at \$2,200 for US East Coast.

According to a report by the General Department of Vietnam Customs, Viet Nam's export in the month of September decreased significantly, bringing sea transport costs to a new low. Particularly, the shipping cost to the EU has dropped as low as \$900, a 50 per cent decrease from the beginning of the year.

Nguyen Dinh Tung, CEO of Vina T&T Group, said shipping cost has come down to near pre-pandemic level.

"This has been a reflection of the global economy heading for a recession. Consumers in international markets were increasingly made to choose more affordable, instead of luxury high-quality import goods," he said.

In addition, slow sales resulted in a high inventory level and fewer new orders from retailers, especially for high-end commodities. That's not to say everyone was affected equally, he said, exporters of basic commodities should be doing quite well as

demand for their goods largely remained unchanged while shipping costs went down.

Phan Minh Thong, chairman of Phuc Sinh JSC., a Vietnamese food exporter company, said his company's shipping cost has gone down to the pre-pandemic level after shooting up almost tenfold during the pandemic.

"We have been spending around VND4 billion on shipping per month. It [reduction in shipping cost] has been a tremendous help for the company compared to during the pandemic," he said.

Shipping, however, is only a factor in an exporter's input cost.

Nguyen Quoc Anh, president of the HCM City Rubber and Plastic Association, said while shipping cost has gone down other logistics-related costs remained unchanged.

"For us, it makes little difference. A large part of our input cost comes from importing raw materials. As the US dollar continued to appreciate, our bottom line has benefited very little," said Anh.

Coupled with lower demand in both domestic and international markets, rubber and plastic producers have seen sales dropping from 20-40 per cent compared to the beginning of 2022.

Anh said the gloomy picture is likely here to stay, at least until the end of the second quarter of next year.

"The next 8-9 months will prove crucial for us. A significant drop in orders, increased pressure on cash flow and financial liabilities will put everyone to the test," he added.

Anh said for the time being, the top priority is to maintain production, even at minimum, to sustain the labour force and be ready for when the market recovers.

4. Vietnam's agro-forestry-fishery exports face UKVFTA-related opportunities, challenges

Thanks to the UK-Vietnam Free Trade Agreement (UKVFTA), Vietnam's agro-forestry-fishery exports to the European nation now enjoy many advantages which, however, also come with several challenges.

In full effect, the trade pact will slash 94% of the 547 tariff lines the UK imposed on Vietnamese farm produce. As a result, import tariffs for most shrimp and some wooden products from Vietnam will be 0% within the next five years. The UK is currently among Vietnam's top five export markets of aquatic goods and top three of wooden products.

At a recent workshop on tapping the UK market and the UKVFTA, British Consul General in Ho Chi Minh City Oliver Todd lauded Vietnam's position as a trade partner in the Southeast Asian region.

The diplomat expressed his belief that the country can replace others like India and Indonesia to become a new agro-fishery-forestry supplier of the UK.

However, the European market has strict requirements that Vietnamese exporters have to make significant efforts to meet. Meanwhile, the UK is about to sign FTAs with 19 nations and join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), meaning Vietnam's advantages will be narrowed.

Nguyen Canh Cuong, Vietnamese Trade Consular in the UK, said the market faces supply shortage but requires imports to have high quality and low cost, which is a barrier for Vietnamese firms.

The Vietnamese Trade Office in the UK has launched a series of activities to promote the export of Vietnamese products to and expand their market share in the UK.

Cuong said similar works are planned for the time to come, particularly in aid of Vietnam's agro-forestry-fishery sector.

5. 2022 – successful year for farm produce exports

The Plant Protection Department under the Ministry of Agriculture and Rural Development on November 24 announced the completion of opening the Japanese market for longan, the Chinese for sweet potato, and that of New Zealand for lime and grapefruit of Vietnam.

This year can be considered the most successful for the sector, as many agricultural products have gained access to the world markets.

For the Chinese market, earlier this year, the General Administration of Customs of China (GACC) agreed to pilot import of Vietnamese passion fruits starting in July. After that, durian and banana were allowed to be imported into China through the signing of the protocols on phytosanitary requirements between the two countries. Most recently, another protocol was signed for China’s import of sweet potato from Vietnam.

Meanwhile, an agreement on the export of Vietnamese lime and grapefruit to New Zealand was signed by the ministry and New Zealand’s Ministry

of Agriculture on November 15. Three days later, the Japanese Ministry of Agriculture, Forestry and Fisheries also announced that Vietnamese fresh longan is allowed to be imported into the country.

Hoang Trung, Director of the department, said that the market opening and the signing of protocols for official export of agricultural products will create clear and transparent legal conditions, as well as motivation for Vietnamese farmers to produce more professionally, methodically and on a larger scale.

To boost the export of the new products allowed to be shipped abroad, the department will guide localities and relevant parties on regulations on import requirements of China, New Zealand and Japan.

They are advised to continue getting updated information, and strengthening connectivity to ensure smooth trading in existing markets and eye new ones.

6. HCMC’s 2023 economic growth forecast at over 7%

In the first scenario, in which China’s zero-Covid policy and real estate crisis adversely affect global supply chains, coupled with a global recession and falling demand caused by monetary tightening in major economies, HCMC’s economy would expand 7.03%.

Under this scenario, the scarcity of food and fuel would worsen and inflation would rise further, dampening investor confidence and weakening consumption.

The stock and financial markets are expected to continue going downhill, leading to a budget deficit among businesses and slowing capital disbursements for public investment projects.

In the second scenario, the city would attain growth of 7.5% as it regains its growth momentum on China’s easing of its zero-Covid policy, leading to Chinese tourists returning to Vietnam.

At the same time, the military conflicts between Russia and Ukraine would wind down, stabilizing global oil supplies. Relief packages would start to produce results, such as a improvement of production and consumption.

However, export growth would decelerate in the short term, while tax revenues would soar due to the rapid recovery of industries, thereby spurring investment and economic growth.

In the last scenario, HCMC's economy would thrive, as the city's major trade partners put inflation under control, Russia-Ukraine tensions de-escalate, and China revises its policy, enabling Vietnamese firms to export more to China and expand business there.

These would buoy the demand for labor, stabilize fuel supplies, and fuel consumption, which will in turn help the city achieve growth of 8.08%.

Although hardships linger on until next year, still, the city would double or triple its efforts to recover economically from the impacts of Covid-19, said Vo Van Hoan, vice chairman of the HCMC's government.

He added that the city would be able to obtain gross domestic product growth of over 8% next year, along with the average annual growth rate of labor productivity of 7%.

7. MPI releases round-up of business results

The White Books shows that the number of enterprises operating in the economy has increased, and many foreign-invested enterprises are not making a profit.

Most businesses are located in Ho Chi Minh City (268,400 enterprises), Hanoi (178,500), Binh Duong (37,600), Dong Nai (25,000), Danang (24,700), and Haiphong (19,800).

According to the White Book, as of the end of 2021, there were 857,551 enterprises in operation across the country, an increase of 5.7 per cent on-year. Of which, Ho Chi Minh City accounted for 31.3 per cent of the total number, up 5.4 per cent on-year.

Additionally, there were more than 116,800 newly-established enterprises in 2021, and 43,116 enterprises returning to operation, more than 54,900 ceasing business, and more than 16,700 dissolved.

Although the number of operating enterprises increased, the number of enterprises with production-generating incomes was low. In 2020, more than 811,500 enterprises were operating in the country, but only about 684,200 reported some income, while the rest were "ghost businesses" running without business results.

Notably, only about 39.7 per cent of 684,200 enterprises reporting business results made profits, 18.8 per cent broke even, and 41.5 per cent suffered losses.

Regarding types of enterprise, in 2020, there were about 1,960 operating state-owned enterprises (SOEs) reporting business results, of which 77.6 per cent saw profits, 3.7 per cent reported breaking-even and 18.7 per cent in a loss.

The number of private enterprises reporting business results was about 660,000, with 39.3 per cent profitable, 19.2 per cent breaking even, and 41.5 per cent making a loss.

In the FIEs sector, there were 22,242 enterprises reporting business results, with 47.5 per cent turning a profit, 9.1 per cent breaking even, and 43.4 per cent making losses. So the proportion of FIEs in losses was higher than that in SOEs and the private sector.

Corporate News

8. VSH: Notice of bond repurchase before maturity

↑ 4.03%

On November 24, 2022, Vinh Son - Song Hinh Hydropower Joint Stock Company announces the repurchase of bonds before maturity with details as follows:

- Bond code: VSH_BOND_2019_1,2,3,4,5
- Expected repurchase volume: 81 bonds
- Par value: VND1,000,000,000/bond
- Repurchase rate: 25%, including:

No.	Bond name	Outstanding value (billion dongs)	Outstanding volume (bond)	Repurchase rate (%)	Repurchase value (billion dongs)	Repurchase volume (bond)	Remaining value (billion dongs)	Remaining volume (bond)	Remaining ratio/quantity of each batch (%)	Repurchase time for each batch
1	VSH_BOND_2019_1	87	87	25	21	21	66	66	26.29	12/30/2022
2	VSH_BOND_2019_2	44	44	25	11	11	33	33	13.15	12/30/2022
3	VSH_BOND_2019_3	82	82	25	20	20	62	62	24.7	12/030/2022
4	VSH_BOND_2019_4	60	60	25	15	15	45	45	17.93	12/30/2022
5	VSH_BOND_2019_5	59	59	25	14	14	45	45	17.93	12/30/2022
	Total	332	332		81	81	251	251	100	

- Bond term: 84 months, maturity in 2026, 2027
- Par value: 1,000,000,000 dongs/bond
- Bond type: non-convertible bond, secured and without warrants
- Bond form: book entry
- Interest rate:

+ For the first four interest periods: 10.5%/year;

+ For next interest periods: Interest rate = reference interest rate + 3.0%/year

- Expected repurchase time: December 30, 2022.

9. VDS: Plan for the third bond issuance in 2022

↑ 5.04%

The Board resolution dated November 24, 2022, the BOD of Viet Dragon Securities Corporation approved the following contents:

1. Approved the third bond issuance plan in 2022:

- Issuer: Viet Dragon Securities Corporation
- Bond name: Viet Dragon Securities Corporation
- Bond type: non-convertible bond, unsecured and without warrant
- Par value: VND100,000,000/bond

- Bond term: 01 year
- Issuance volume: 5,000 bonds
- Total value of issuance: VND500,000,000,000
- Number of issue phases: 02 phases; including:

No.	Bond code	Term	Estimated issuance volume (bond)	Estimated issuance value (billion dong)
Phase 1	VDSH2223010	01 year	25,000	250
Phase 2	VDSH2223011	01 year	25,000	250
Total			5,000	500

- Offering price: 100% par value
- Bond form: book entry
- Issuance and payment currency: VND
- Time of implementation:

- + VDSH2223010 bond: expected on November 29, 2022
- + VDSH2223011 bond: expected on December 20, 2022.
- Issuance method: private placement
- Purpose of using capital from the offering: total proceeds of VND500 billion (estimated) will be used to restructure debt of the issuer).
- Fixed interest rate: 10.15%/year (including 2 phases).
- 1. Approved the plan for redemption bonds before maturity:
- Repurchase volume: maximum 50% number of bonds issued
- Repurchase time: after 06 months from the issue date
- Repurchase interest rate: maximum 9%/year.

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