VIETNAM DAILY NEWS

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Market Analysis

1. Market extends rallies, VN-Index inches close to 1,100 points

Benchmark indices extended rallies on Monday, boosted by the market's bullish sentiment and strong net inflows from foreign investors.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index opened the new week on a positive note as it headed toward the 1,100-point level. The index closed the day at 1,093.67 points, a gain of 13.66 points, or 1.26 per cent. It gained more than 11 per cent last week.

The market's breadth was positive as many stocks tilted to the uptrend. Of which, 244 stocks on the southern bourse advanced, while 122 stocks inched lower. Liquidity remained at a high level. Accordingly, nearly 1.3 billion shares were traded on HoSE, worth more than VND20.97 trillion (US$875.2 million).

Saigon - Hanoi Securities JSC expected the VN-Index to fluctuate in a range of 1,000-1,150 points and create a wide accumulation area.

The VN30-Index, which tracks the 30 biggest stocks on HoSE, also posted an increase of 17.95 points, or 1.64 per cent, to 1,110.94 points. In the VN30 basket, 25 stocks added points with four stocks hitting ceiling prices, while three stocks declined. And two stocks stayed flat.

Statistics from a finance website vietstock.vn showed that banking, realty, and manufacturing industries continued to lead the market's rally. Specifically, VPBank was the biggest gainer yesterday, up 4.91 per cent.

Others in the top five stocks influencing the trend were Vinhomes (VHM), PV Gas (GAS), Hoa Phat Group (HPG), and Vietinbank (CTG). The stocks rose by 1.8-2.83 per cent.

The HNX-Index on the Ha Noi Stock Exchange (HNX) also finished higher yesterday, marking its eighth gaining session in a row. It gained 4 points, or 1.85 per cent, to 219.96 points.

During the session, investors poured nearly VND1.8 trillion into the northern market, equivalent to a trading volume of nearly 123.2 million shares.

Supporting the Vietnamese stock market, foreign investors continued to net buy a large value on both main exchanges. Of which, they net bought nearly VND1.4 trillion on HoSE and VND22.62 billion on HNX.

Macro & Policies

2. Restructuring to boost M&A in banking industry

News portal vnbusiness.vn quoted Yoshizawa Toshiki, board member at Orient Commercial Joint Stock Bank, as saying that M&A activities will increase sharply after the pandemic, of which M&A in finance and banking in Viet Nam will be better, .

Currently, the Vietnamese Government has policies such as equitising State-owned enterprises and banks, and restructuring weak, undercapitalised and substandard banks. This is an opportunity for foreign organisations to make investments. Japan's medium-sized banks are also considering the financial market and M&A in Viet Nam, Toshiki said.

Warrick Cleine, chairman and CEO of KPMG in Viet Nam and Cambodia, quoted by vnbusiness.vn, also said M&A activities in the financial and banking sector slowed in the first ten months of 2022, but he expected the sector will be the target of M&A transactions from 2023.

It is positive that many foreign investors are interested in the sector. They have a certain confidence in the Vietnamese market and businesses, Warrick said, adding many CEOs are also considering M&A as an important way for them to change their business model more effectively.

A typical deal is that VPBank expects to sell 49 per cent of FE Credit shares to Japan's Sumitomo Mitsui Banking Corporation (SMBC). At the same time, VPBank has increased the maximum foreign ownership ratio from 15 per cent to 17.6 per cent of charter capital. Though the time to complete the capital sale plan has not been disclosed, a representative of VPBank said it would be implemented between 2022 and 2023.

Besides the bank share purchase of foreign investors, M&A activities among domestic enterprises are forecast to boom in 2023 under the Government's compulsory plan of transferring weak banks next year.

Though no name has been officially announced, with the recent moves of commercial banks, it can be seen that a number of deals have almost been decided, according to vnbusiness.vn. For example, Military Bank and Vietcombank might receive the compulsory transfer of Ocean Commercial Bank (OCB) and CBBank, respectively, while DongA Bank and GP Bank might be transferred to HDBank and VPBank, respectively.

The M&A form of weak banks is completely different from previously. Accordingly, weak banks will be merged with big banks under the parent-subsidiary model. The transferred weak banks will operate in the form of one-member limited liability banks where the parent bank is the owner of 100 per cent of the charter capital.

The subsidiary banks have legal entities that are independent of the parent banks, and do not carry out consolidation of financial statements with the parent banks. Besides, the subsidiary banks' calculation of capital adequacy ratios, dividend policy, profit distribution and provision of funds are also independent from parent banks.

Tim Evans, CEO of HSBC Vietnam, quoted by vnbusiness.vn, said M&A deals in the Vietnamese banking industry would be better in the next few years, with drivers coming from both foreign investors and domestic commercial banks. The banking and finance sector in Viet Nam is emerging as a bright spot to attract the attention of large financial groups in the world while Vietnamese banks also have the need to increase capital and seek strategic partners to improve risk governance, operational efficiency, technology and digitalisation.

Financial analysts said the trend of digital transformation is increasingly strong in the economy and businesses are accelerating the speed of transformation. New business models are increasingly appearing to cause fiercer competition. The change will affect the M&A trend in the financial and banking markets.

3. Vietnam capable of wind power windfall

Last week at Vietnam Wind Power 2022, hosted by the Global Wind Energy Council (GWEC), key members of government with both local and international industry were brought together to discuss key topics impacting the wind industry.

Mark Hutchinson, head of Asia for GWEC, said that it is a critical time for the wind industry in Vietnam. The feed-in tariff (FiT) for wind power projects expired in 2021 and, while 4GW of onshore wind ventures was completed before it expired, there is another 4GW of projects that signed agreements but missed the deadline. Many of these projects have completed construction since the FiT expired but are still not producing electricity, Hutchison explained.

State-run Electricity of Vietnam recently published proposed tariffs for wind projects that missed the FiT deadline, but the process for implementing the proposed tariffs is not yet clear. One wind investor at the event described his concern on attraction in comparison with other countries.

"Wind power is a long-term investment, but uncertain tariffs mean renewable energy projects are just treading water right now," he said.

It is an urgent challenge for offshore projects in Vietnam as there are still no precise restrictions on methods and timelines for the approval of marine resource measurement, observation, inquiry, survey, and assessment. "Furthermore, there is disagreement about whether organisations and individuals are entitled to conduct wind measurements as well as geological and topographical surveys at sea," the investor added.

However, Bui Vinh Thang, Vietnam country manager at GWEC, said that all big wind players have representative offices in Vietnam, illustrating a strong commitment here. However, they need a clear and transparent policy in order to ensure a long-term project in Vietnam.

Adam Bruce, Global External Affairs director of Mainstream Renewable Power, acknowledged that Vietnam is fully capable of developing and attracting international investment in this new industry, thus making a significant contribution to the development of this new industry and development of the country, and at the same time contribute to achieving net-zero emissions by 2050.

He said that Mainstream became an early entrant to the Vietnam offshore wind market in 2016, and is actively developing two projects totalling 1.9GW. Mainstream has made significant progress with both projects and is committed to helping Vietnam achieve its installed capacity targets by 2045, as detailed in the latest draft Power Development Plan VIII (PDP8).

Meanwhile, Gero Tschierschke, head of New Markets for Asia-Pacific at Siemens Gamesa told VIR, "Vietnam has huge potential and ambitions with strong commitments to net-zero, but for me, it's less about number, it is much more about visibility and realisation of the projects."

He stressed that each country has its own problems, but clear and tranparent polices are the key guides for investors to meet higher targets in 2035 and beyond.

Despite pandemic disruptions bringing challenges to the local industry, Vietnam had a record year in commissioning 779MW of intertidal projects in 2021, making it the second-largest market in the region. Following the installation rush driven by the cut-off of FiTs, GWEC Market Intelligence predicted that new installations in Vietnam have fallen off in 2022 and will most likely stay at a low level until a clear offshore wind regulatory framework is in place.

However, taking into account the net-zero commitments as well as offshore wind capacity targets by 2030, as included in the most recent draft of the PDP8, Vietnam is poised to usher in an era of accelerated renewable energy growth and become the offshore wind market leader in Southeast Asia by the end of this decade, according to GWEC.

If instigated in a progressive way to allow the industry to mature naturally from some well-established preliminary projects, a phased approach of rounds of wind farms consists of differing tariffs and reductions of these into auctions over time can allow offshore wind to be more cost-effective than most other forms of energy generation, it said.

GWEC suggests that to enable this, there is an urgent need to establish a cross-ministerial coordinating committee, likely chaired by the Ministry of Industry and Trade. Offshore wind policies and regulations affect many different ministries and levels of government. This committee would work to accelerate the resolution of bottlenecks across different ministries.

4. Export prices of Vietnamese rice world's highest

The export prices of Vietnamese rice are standing at the highest levels in the world, according to the Vietnam Food Association.

Specifically, 5% broken rice currently fetches 438 USD per tonne, and 25% broken rice is sold for 418 USD per tonne.

With these figures, the prices are around 20 USD per tonne higher than those of Thailand.

Experts predicted that the export prices will remain at high levels in the first months of 2023.

According to the Ministry of Agriculture and Rural Development, Vietnam is likely to ship 7.2-37.3 million tonnes of rice abroad this year, pocketing 3.3-3.5 billion USD.

Notably, the exports to choosy markets have recorded high growth, including the US (85%), and the European Union (82%).

5. Ministry considering EVN's proposal for electricity price hikes

Deputy Minister of Industry and Trade Do Thang Hai said on the sidelines of the Government's November meeting on Thursday that prices of input were rising in both domestic and global markets, which were certainly affecting electricity production prices.

Hai said that according to the EVN's report, the company anticipated a record loss of more than VND31 billion this year despite efforts to reduce costs through repairing, recurrent expenses and optimising operation systems.

Any decisions must comply with the Prime Minister's Decision 24/2017/QD-TTg about the mechanism for adjustment of average retail electricity price.

EVN estimated a loss of more than VND15.7 billion in the first ten months of this year and VND31.36 billion for the full year due to rising input costs from rising coal, oil and gas prices.

While the global fuel prices had not shown any signs of falling to the average level of 2021 this year, the exchange rate kept increasing, and the proportion of cheap power sources such as hydroelectricity decreased. Therefore, EVN was still under pressure to raise electricity selling prices to compensate for the loss.

The current average electricity retail price was VND1,864.44 per kWh (excluded VAT) which was maintained from March 2019 to control inflation and support production and business.

According to statistics on Global Petrol Prices, Viet Nam had a low average electricity price compared to other countries in ASEAN. The average retail price of Viet Nam was higher than only Laos and Malaysia, and lower than Indonesia, Thailand, the Philippines and Singapore.

Economic expert Dinh Trong Thinh said that increasing electricity prices was a relatively urgent need for EVN. "When and how to increase the electricity prices were problems for the management agency to harmonise the interests between the electricity users and the generators, however."

Thinh stressed that any adjustment in electricity prices must be put into careful consideration in the context of inflationary risk, and many enterprises were in difficulty due to rising input costs and strong reductions in orders.

It was necessary to ensure transparency in the costs which constituted electricity prices, Thinh stressed.

According to Ha Dang Son, director of the Centre for Energy and Green Growth Research, if electricity prices were kept low for too long, investors would be hesitant to invest in the power sector.

He said that electricity prices should be adjusted to reasonable levels to ensure economic development while encouraging private investments to ensure national energy security.

Financial expert Ngo Tri Long said that electricity prices being held back too long was a problem that needed to be resolved soon. Otherwise, it would lead to a power supply shortage as happened to the petrol market recently. The costs constituting the prices of necessary goods must be calculated correctly, sufficiently, and reasonably to prevent market distortions and encourage investment.

6. Listed companies lean into ESG conventions

The Ho Chi Minh City Stock Exchange (HSX), the Hanoi Stock Exchange, and Vietnam Investment Review last week presented the annual Vietnam Listed Company Awards (VLCA) under the exclusive endorsement of fund management firm Dragon Capital.

This year demonstrated businesses' ability to overcome unprecedented challenges, the event participants heard. Thus, the annual reports of award-winning companies this year in all three capitalisation groups indicated major changes compared to the previous year. Most companies even achieved maximum scores, showing that they have increasingly invested in the quality of reports.

According to the VCLA organisers, businesses made strides in developing annual reports this year in both content and form. Annual reports in this year's final round were all highly evaluated with eye-catching presentations, while also delivering unique slogans and clearly conveyed messages, reflecting the characteristics of the businesses. Most businesses displayed their financial data and business results in a clear and concise manner, and also invested in writing annual reports in English to comply with best practices.

Aside from the annual reports with full evaluation information, some reports still lack sufficient information about subsidiaries and associated companies, their financial performance, and the ownership ratio in these companies. Some annual reports have yet to conduct in-depth financial analysis and provide shareholders with sufficient and rich information. Meanwhile, sustainability reports were graded by experts from the ACCA. The evaluation criteria focus on how businesses report on their environmental, social, and governance (ESG) performance.

This year the VLCA, which has been a major annual event on the Vietnamese stock market for 15 years, changed the evaluation criteria with a view to improve the quality of reporting and keep up with the market trends like climate change issues and greenhouse gas emissions. For the first time, the organisers this year added an award for companies with good management of such emissions. The award aims to encourage listed companies to pay more attention to environmental issues and the impacts of climate change.

The awards also evaluated the impact of the COVID-19 pandemic on the strategy and implementation of ESG. Accordingly, businesses have taken measures to ensure health, safety, employment and welfare policies for their employees during the pandemic. In particular, many did not lower salaries or delay payments, while carrying out community connection programmes to support locals in the fight against the coronavirus.

With regard to corporate governance, businesses need to be encouraged to capitalise on their encouraging strengths. In particular, businesses held early AGMs in 2021, thereby completing the publication of annual reports and holding the general shareholder meetings on schedule.

Meanwhile, sustainability reporting continues to make progress in quality, with the breakthrough reports in the top group. Enterprises releasing their own sustainability reports increased from 12 in 2020 to 16 this year. Many businesses have demonstrated a strong commitment to adopting ESG standards.

According to Tran Anh Dao, deputy general director of the HSX, there were varying reasons for late announcement of some information in 2022, including late financial reports, annual reports, and corporate governance reports.

On the other hand, there were some common causes of corporate governance report infractions, such as some firms not guaranteeing the composition or quantity of independent board members, or breaching restrictions on transactions with shareholders and related parties.

This year, the HSX handled some violating cases, including 38 businesses being warned, 25 businesses being controlled, eight businesses forced into limited transactions, three businesses being suspended from transactions, and 10 being delisted altogether.

Reasons for these infractions included negative undistributed profit after tax, late submission of annual/reviewed financial statements, and violation of the obligation to disclose information, to name a few.

Hoang Duc Hung, chairman of International Internal Audit Vietnam, emphasised that internal auditing plays a crucial part in the corporate governance environment, thus cementing companies' transparency and lasting success.

Nguyen Hoang Nam, partner and ESG Leader of Assurance Services at PwC Vietnam, added, "As one of the top international audit and consulting firms participating in the assessment council, we acknowledge that the quality of sustainability reports of Vietnamese listed companies has improved over the course of time."

Despite the government's efforts, there is still room for improvement to raise awareness of publicly listed companies in Vietnam in the areas of green energy development or ESG interest, Nam added. "Market participants are waiting for Vietnam's policymakers to provide detailed guidance on the country's green finance regulations or specific ESG reporting measures," Nam said.

Dominic Scriven, executive chairman of Dragon Capital, also noted, "Despite the challenging capital market in this year's context, including stock market and corporate bond market, we still believe in the long-term outlook of Vietnam's equity landscape."

Publicly listed companies should launch their annual reports and sustainability reports in English to promote official data to international investors. "The Vietnamese government is making concerted efforts to upgrade its market status and we believe this is a positive signal for the country's economy," Scriven said.

7. Vietnam, New Zealand eye 2 billion USD in bilateral trade

Economic and trade partnerships have always been one of the bright spots in the Vietnam - New Zealand relations, and the two countries are striving for 2 billion USD in bilateral trade by 2024.

Chairman of the National Assembly Vuong Dinh Hue is paying an official visit to New Zealand from December 3 to 7, which is also expected to open up many new opportunities for trade ties.

Despite the COVID-19 pandemic, bilateral trade turnover still reached 1.3 billion USD in 2021, up 26.7% year on year. It increased 14% from a year earlier to stand at 1.2 billion USD in the first 10 months of 2022, including 602.2 million USD in Vietnam's exports (up 12.8%) and 623.2 million in imports from New Zealand (up 15.2%).

The two economies are complementary to each other. The commodities in demand in New Zealand include electronic devices, apparel, footwear, wood products, tropical farm produce, and fishery products. Meanwhile, Vietnam has demand for dairy materials and products, wine, mutton, fruits, timber, and textile - garment and leather - footwear materials from New Zealand.

Notably, both are members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partneship (RCEP). New Zealand currently ranks 36th among the trading partners of Vietnam.

The Vietnamese Trade Office in New Zealand said as both countries have joined several free trade agreements (FTAs), tariff and non-tariff barriers are being lowered or have been lifted, which is a big opportunity for Vietnamese goods to enhance competitiveness over rivals from the countries without FTAs with New Zealand.

Besides, amid international trade friction and the complex COVID-19 pandemic, more and more enterprises of New Zealand are paying attention to goods from Vietnam, especially apparel and building materials.

However, the office noted, challenges are considerable since New Zealand has high technical barriers for agricultural, fishery, and food products. So far, this country has just licensed mango, dragon fruit, rambutan, tra fish, and processed food from Vietnam. High costs and long duration of transportation due to geographical distance also boost prices of Vietnamese goods compared to some other countries' rivals.

Bilateral trade has yet to match potential, the office said, adding that with a population of about 5 million, New Zealand's export demand is higher than import. The five biggest exporters to this country, namely China, Australia, the US, Japan, and Germany, have already made up a relatively high proportion of New Zealand's imports.

To achieve the 2-billion-USD bilateral trade by 2024, the office recommended a methodological and long-term strategy be issued to boost Vietnam's export to New Zealand, and enterprises work closely with importers to ensure their products meet the market's standards and regulations.

The Asia - Africa Market Department under the Ministry of Industry and Trade said Vietnamese businesses should proactively learn the FTAs to which both Vietnam and New Zealand are members so as to fully tap into preferential treatment related to tax and product origin.

They should also actively take part in trade promotion events and business networking programmes to seek partners and advertise products while seriously adhering to the market's import standards, the department added.

Corporate News

8. VNM: Vinamilk to pay 14% cash dividend

↑ 1.19%

The dairy processing company will pay a cash dividend of 14% to its existing shareholders. Each shareholder will receive VND1,400 for each VNM share held. The payment date is scheduled for February 28 next year.

With its nearly 2.1 billion outstanding shares, Vinamilk will spend some VND3,000 billion paying the dividend this time.

In August this year, the company made the first dividend payment for 2022 at a ratio of 15%.

According to its dividend payment plan passed at its 2022 annual general meeting, Vinamilk would make dividend payments of 38.5% to its existing shareholders for 2022. This means VNM shareholders will continue to get the balance of 9.5%.

As for its business performance, Vinamilk booked more than VND16 trillion in revenue in the third quarter this year, equivalent to the year-ago figure. Its after-tax profit rose 10.5% year-on-year at over VND2.3 trillion.

In the year to September, the company had posted over VND44.9 trillion in revenue and more than VND6.7 trillion in after-tax profit, meeting 70% and 69% of its respective full-year targets.

Vinamilk said the local consumption of dairy products has bounced back. The company has implemented multiple programs to cope with recent market volatility, such as launching around 600 retailing facilities. Its Giac Mo Sua Viet stores and e-shops also witnessed a hike in sales.

Recently, Singapore-based F&N Dairy Investment, a large shareholder of Vinamilk, has registered to buy nearly 20.9 million VNM shares from December 6 to January 4. Once the transactions are completed, the Singaporean firm would raise its ownership in Vinamilk from 17.69% to 18.69%.

Closing the trading session today, November 5, VNM rose 1.19% to VND85,000.

9. PDR: Completing the transfer of shares in Hoa Binh Land

↑ 6.73%

On December 02, 2022, Phat Dat Real Estate Development Corp announces the finish of transferring 28,476,800 shares, accounting for 88.99% charter capital in Hoa Binh Land Joint Stock Company.

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