# VIETNAM DAILY NEWS

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# Market Analysis

## 1. Shares maintain uptrend on rising liquidity

Shares struggled to maintain the uptrend as many shares turned dark in the afternoon session, showing faltering investors' psychology amid mixed economic data.

The General Statistics Office indicating low GDP and high inflation in the first quarter may also be contributing to the uncertainty and volatility in the stock market.

On the Ho Chi Minh Stock Exchange, the VN-Index edged up 0.29 per cent to close Thursday at 1,059.44 points. This was the eighth straight rising session with a combined growth of 3.5 per cent.

On the Ha Noi Stock Exchange, the HNX-Index inched up 0.18 per cent to end at 205.95 points. The northern bourse's index decreased 0.5 per cent in the previous two sessions.

Liquidity increased with a total of 706.3 million shares worth VND12.1 trillion (USS$512.7 million) being traded in the two bourses, up 36 per cent in volume and 32 per cent in value compared to Wednesday's figures.

However, the market lost the rising momentum in the afternoon session as the number of declining stocks increased to 176 while the gaining ones stood at 190 by the end of the day. The other 112 closed flat.

The trio of stocks – Vingroup (VIC), Vinhomes (VHM) and Vincom Retail (VRE) – performed well and supported the VN-Index. VHM leaped 3.2 per cent while VRE climbed 2.2 per cent and VIC increased 0.4 per cent.

Steel giant Hoa Phat Group held its 2023 annual shareholders' meeting on Thursday. The company announced it would maintain the business plan proposed at the end of February with consolidated revenue of VND150 trillion and profit after tax of VND8 trillion, equivalent to a net profit margin of 5.33 per cent.

Compared to 2022, Hoa Phat's revenue plan this year still increased by 6 per cent, but the profit target decreased by 5 per cent, marking its second consecutive year of profit decline.

The company also proposed it will not pay dividends for 2022. This is the first time that the company will not pay dividends since its listing. Previously, it regularly paid dividends at the rate of 20-50 per cent per year.

Investors did not respond well to the information as shares of Hoa Phat Group (HPG) retreated to the reference line after a positive opening.

Foreign traders had a second day of net selling with a value of VND416 billion in the two markets, focusing on shares on HCM City's bourse with a net sell value of VND408 billion. Sacombank (STB) was the most sold share with a net sell value of VND284 billion, followed by Saigon Securities Inc (SSI, VND77 billion) and Digiworld (DGW, VND71 billion).

# Macro & Policies

## 2. SBV's draft regulations encourage banks to support corporate bond market

The revision corresponds to Decree 08 of the Government, which went into effect on March 5 and aims to address bottlenecks in the corporate bond market.

Circular No. 16/2021/TT-NHNN, issued on November 10, 2021, delineated principles for the acquisition and sale of corporate bonds by credit institutions. The preliminary revision aims to clarify and expound on various components of Circular 16 to avoid ambiguities and gaps.

The notable changes include more specific regulations for banks in investing in corporate bonds, such as banks' responsibility of inspecting and supervising proceeds from bond issuance, criteria for banks to buy bonds, as well as regulations on the management of bonds to supplement working capital and cash flow management.

The rule allowing credit institutions to sell and buy unlisted corporate bonds sold before December 31, 2023, without having to wait 12 months as currently stipulated draws the attention of the market attention.

Data from the Vietnam Bond Market Association (VBMA) showed in December 2022, nearly VND50 trillion (US$2.1 billion) worth of bonds were bought back before maturity.

However, the number in the first two months of this year decreased to only VND10 trillion. According to the association, this indicator shows the issuers are struggling to have money to repay the debt.

In the context that about VND150 trillion (roughly VND6.4 billion) worth of bonds will mature in the second and third quarters of 2023, market analysts expect the permission for banks to buy corporate bonds will be a great support.

"Corporate bonds are different from bank loans because they have low liquidity," Dinh Thi Quynh Van, general director of PwC Vietnam and the lead partner of Tax and Legal Services told VTV1. "Banks have the right to repurchase and resell them, which can boost liquidity and support bond issuers."

To limit risks, the draft will only allow banks to buy bonds when the issuing business meets certain conditions, such as having a feasible issuance plan, being able to repay principal and interest, or having a low debt ratio and not allowing to use proceeds to contribute capital or buy shares in other companies.

According to data from Fiin Group, banks are holding over VND253 trillion of corporate bonds, equivalent to about 29 per cent of total outstanding bonds. This figure is lower than the number of 45 per cent in 2021.

Therefore, banks still have room to increase their bond ownership through repurchasing, helping to clear the deadlock in capital flow for issuing businesses.

Need a comprehensive support package

According to many market insiders, credit institutions cannot buy corporate bonds of companies whose debt exceeds five times their own capital, which will exclude a lot of bonds issued by realty firms.

The regulation that allows banks to buy bonds to supplement working capital in the short-term of less than one year also causes a headache for companies as businesses rarely issue short-maturity bonds (typical bond terms are five to ten years).

According to Nguyen Quang Thuan, chairman and CEO of Fiin Group, one of the most important issues for bond issuers today is the need to refinance or restructure debt, but regulations of debt restructuring has not yet been revised in this draft.

He said this measure is more technical because the key is still the improvement in cash flow from businesses, but the outlook has not shown any signs of improvement.

Therefore, a cross-effect on the credit quality of banks is present, he said, adding when a business is late in paying bonds, it will then be likely to be late in repaying bank loans and likely turning to bad debts.

"This is an issue that should be evaluated specifically and have follow-up policies to solve the current corporate bond problem and reduce the risk of bad debt for banks," Thuan said.

Real estate businesses are also proposing that the corporate bond redemption should last until the end of 2024 instead of just 2023, as in the revised draft, because the maturity pressure is not only within this year.

"The total value of realty bonds due in 2023 and 2024 may reach VND230 trillion," said Le Hoang Chau, chairman of Ho Chi Minh City Real Estate Association. "Therefore, we propose to extend the implementation of Point a, Clause 8, Article 4 to 'until the end of December 31, 2024' instead of 2023 so that businesses can negotiate with bondholders on the payment."

## 3. Foreign ownership at local banks may rise to 49%

The Governor of the SBV, the nation's central bank, has sought the Government's approval to amend Decree No. 01/2014/ND-CP on foreign investors' maximum cap in Vietnamese credit institutions, in which the increase mentioned above would be applied for commercial banks with less than 50% of their cap from the State.

Recently, Vietcombank, MB, HDBank and VPBank announced their plans to buy out four poor-performing banks: DongABank, Construction Bank, Oceanbank and GPBank.

However, Vietcombank is not eligible to increase its foreign ownership limit to 49% as the State holds over 50% of its charter capital. There is an opportunity to increase foreign ownership at MB, HDBank and VPBank.

The proposal aims to create favorable conditions for ailing credit institutions to enhance their financial capacity and facilitate the handover of poor-performing banks to large commercial ones.

According to SBV, two banks with plans to buy poor-performing credit institutions sought approval to increase their foreign ownership to 49%.

These two banks account for nearly 6.6% of the total assets, 5.26% of the deposit market share and nearly 5.5% of the lending market share of the entire joint-stock banking system.

Therefore, it would have a major impact on Vietnam's banking system.

SBV believes that the increase in foreign ownership limit should only be applied to banks with plans to buy poor-performing credit institutions, instead of all banks in the country.

Foreign investors may withdraw their capital from Vietnamese commercial banks amid global economic fluctuations, making it difficult to manage monetary policy and stabilize the economy.

Moreover, according to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Vietnam could not reduce the foreign ownership limit for banks once it is raised.

## 4. Goods retail sales, service revenue rise almost 14% in Q1

Total retail sales of goods and consumer service revenue increased 13.9% year on year to over 1.5 quadrillion VND (63.9 million USD) in the first quarter of 2023, compared to the 5% growth in the same period of 2022, the General Statistics Office (GSO) reported.

Excluding the price factor, the retail sales and service revenue went up 10.3% while that in Q1 last year rose 2%.

Compared to Q1 of 2019, before the COVID-19 pandemic broke out, the amount in this year's first three months increased 26.7%, the GSO noted.

Retail sales are estimated at nearly 1.19 quadrillion VND, up 11.4% (8.4% if the price factor is excluded). In particular, sales of grain food and foodstuff grew 14.6%, apparel 12.3%, vehicles (excluding automobiles) 4.5%, and household items and equipment 3.9%. Cultural and educational goods saw a decline of 2.7%.

Meanwhile, accommodation and food services generated about 161.1 trillion VND in Q1, up 28.4% from a year earlier.

Tourism revenue surged 2.2-fold from a year earlier to around 6.8 trillion VND, partly thanks to a large number of New Year cultural and tourism activities which were not held in the same period last year due to COVID-19, according to the GSO.

In March alone, retail sales of goods and consumer service revenue totalled 501.3 trillion VND, up 2% month on month and 13.4% year on year.

GSO General Director Nguyen Thi Huong attributed such results partly to the reopening to international tourists on March 15, 2022, overseas tourism promotion activities, and domestic consumption stimulation.

## 5. Deputy PM demands precision on fuel storage infrastructure planning

Deputy Prime Minister Tran Hong Ha had a meeting with the verification council for the draft planning on national petrol, oil, and gas storage and supply infrastructure for 2021 - 2030, with a vision to 2050, in Hanoi on March 30.

Stressing the importance to national energy security, he requested that the planning have high precision and feasibility, match the set tasks and targets, and guarantee active and stable energy supply for the economy.

The official asked the Ministry of Industry and Trade and the advisory unit to ensure that shortcomings and problems in the existing petrol, oil, and gas storage and supply infrastructure are pointed out and assessed in the draft planning.

He noted some issues in the fuel market in late 2022 and early 2023, and that the planning must take into account demand in reality and be closely connected with the land, environment, transport, and urban planning.

Amid the growing trend of green and renewable energy use, the planning also needs to closely follow the Party and State's orientation, and facilitate science and technology application and digital transformation. It must also enable the connectivity among production, storage, and selling establishments to ensure supply and demand balance to help connect the country with global renewable energy hubs, Ha said.

The Deputy PM also underlined the necessity for environmental impact to be thoroughly assessed in the planning.

The draft planning sets up detailed targets for petrol, oil, and gas storage and supply infrastructure in the 2021 - 2030 and post-2030 periods, with about 270 trillion VND (11.5 billion USD) to be invested in infrastructure development by 2030.

It gives priority to investment in the national storage infrastructure for crude oil and petrol and oil products; large-scale petrol and oil warehouses in the areas of deep-water seaports; integrated petrol, oil, and aviation fuel warehouses in the areas of international airports; and large warehouses for imported liquefied natural gas to ensure supply for gas-fueled thermal plants.

The draft planning also puts forth six groups of measures about mechanisms and policies; investment capital mobilisation; science and technology; environment, fire and explosion prevention; human resources development; and international cooperation.

## 6. Q1 trade of agro-forestry-fisheries products exceeds 20 billion USD

The import-export revenue of agro-forestry-fisheries products in the first quarter of this year was estimated at 20.63 billion USD, down 11.2% year on year, according to the Ministry of Agriculture and Rural Development (MARD).

Of the total, export value reached about 11.19 billion USD, down 14.4%. Imports were 9.44 billion USD, a fall of 7.2% year on year, resulting in a trade surplus of 1.76 billion USD, a drop of 39.6% year on year.

An upturn was recorded in the revenue of agricultural products (3.8%), and livestock (46.5%), while a downturn was seen in the export of forestry products (28.3%), and fisheries products (29.0%). The fall was mostly due to the decrease in product price.

Products that enjoyed strong growth in exports include rice (30.2%), fruits and vegetable (14.2%), and milk and dairy products (22.2%).

In the period, major export markets of Vietnamese agro-forestry-fisheries products were Asia with 48.8% of the market share, America with 20.3%, Europe with 12.8%, Oceania with 1.4%, and Africa at 1.2%.

Specifically, China remained the largest market of Vietnam with a consumption value of 2.4 billion USD, followed by the US with 2.04 billion USD, and Japan with 936 million USD.

The ministry reported that the export revenue of the products in March is estimated at 4.66 billion USD, representing a rise of 27% over February but a fall of 6.5% year on year. Agricultural products contributed 2.42 billion USD to the figure, forestry products 1.29 billion USD, fisheries 720 million USD, and livestock 115 million USD.

To facilitate the trade of the products, the MARD plans to focus on removing difficulties and obstacles in trading activities and reducing the negative impact of the COVID-19 pandemic and the developments in domestic and world markets.

The ministry will assist exporters in optimising the incentives offered by trade deals, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA) to strengthen exports of agro-forestry-fisheries products. It is preparing for the organisation of a conference of northern border provinces on farm produce trade with China, and participation in trade promotion events in the UK.

## 7. Vietnam needs 13.3 billion USD to develop seaports

Vietnam would need 312.6 trillion VND (13.3 billion USD) to develop the seaports system by 2030, according to the Ministry of Transport.

Specifically, 78% of the capital would be reserved for developing ports and the rest for public maritime infrastructure.

By 2024, the focus would be placed on upgrading Cai Mep - Thi Vai navigational channel to enable it to serve ships of up to 18,000 TEU, navigational channels for large ships to enter Hau, Van Uc and Chanh rivers.

In addition, investment would be poured into developing sea lights in islands and archipelagos under Vietnam's sovereignty and infrastructure for marine safety, building coastal information stations, search and rescue centres and a representative office of Nha Trang Maritime Administration in Truong Sa.

By 2030, the investment would focus on the construction of breakwaters at Vung Ang Port (Ha Tinh province), sand barrier system at Cua Viet and Cua Gianh as well as upgrading Cam Pha, Ba Ngoi, Hon La, Tran De, Diem Dien and Van Uc channels.

The vessel traffic services (VTS) would be installed for Hon Gai – Cai Lan channel and the channel into Hau river.

The Ministry of Transport said that it would call for investment into potential ports such as Van Phong and Tran De. By 2030, construction would be started for a port in Nam Do Son (Hai Phong) and ports in Cai Mep and Tran De.

As of October 2022, there were 296 ports with a total length of 107km (five times the figure of 2000). Vietnam also established international gateway ports in the northern and southern regions with 34 shipping routes including 11 routes in Asia, three to Europe and 20 to America, only after Malaysia and Singapore.

# Corporate News

## 8. MSN: Masan successfully draws down first tranche of its $650 million syndicated loan

**↑ 0.51%**

Masan Group Corporation has announced the successful disbursement of US$375 million, the underwritten tranche of its $650 million syndicated loan signed in February 2023.

The company aims to fully utilise the 2023 syndicated loan via a greenshoe option of $275 million later in the year. The transaction was arranged and underwritten by BNP Paribas, Credit Suisse, HSBC, Standard Chartered Bank, and United Overseas Bank.

Despite recent volatility in the global banking market, Masan was able to fully draw down the underwritten portion of the 2023 syndicated loan, ensuring a healthy financial profile.

The loan is priced at 3.5 per cent over the US dollar secured overnight financing rate, or approximately 8 per cent per annum.

With a 5-year tenor, the 2023 syndicated loan will extend Masan's debt maturity profile and strengthen Masan's liquidity ratios. As interest rates decline and the capital market stabilises, management will continue to optimise Masan's balance sheet, reduce interest expense, and deleverage via strategic corporate actions.

In a challenging macro environment, the ability to generate stable cash flows from the manufacturing and retailing consumer staple products (such as groceries, instant noodles, and seasonings, etc.) businesses and proven track record of accessing multiple capital markets will allow the company to win market share and invest in future growth.

With its cash position, Masan is well positioned to continue investing in new innovations as well as expanding the consumer-retail platform while maintaining a healthy balance sheet.

## 9. VCB: Vietcombank and JBIC sign $300 million credit contract to finance renewable energy projects

**↑ 0.43%**

After successfully implementing a $200 million credit package signed in June 2019, that JBIC and major Japanese banks continue to provide a second loan worth $300 million to Vietcombank further affirms the bank's prestige to international financial institutions; at the same time, affirming the close co-operation relationship between JBIC and Vietcombank in contributing to sustainable economic development, promoting regional integration and environmental protection in Viet Nam.

Speaking at the ceremony, Nguyen Thanh Tung, Vietcombank General Director, said that the signing ceremony to support renewable energy projects was an important affirmation of the positive assessment from international financial institutions for the stability and economic development of Viet Nam; confidence in banking and financial activities in the country in general and Vietcombank in particular.

The loan will support green energy and environmental protection projects in Viet Nam, one of the areas cared by the Party and Government.

The loan is a symbol of the long-term co-operation between Vietcombank and JBIC for sustainable development in Viet Nam, enhancing the country's image as a reputable, safe and friendly investment destination, thereby contributing to further bringing the co-operation relationship between Viet Nam and Japan to a new height.

Based on the terms of the contract, Vietcombank will work with JBIC to optimise the positive social and environmental impacts of the loan.

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