VIETNAM DAILY NEWS

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Market Analysis

1. Markets edge higher as investors bet on real estate

Markets were riding high yesterday on the back of bullish construction materials and real estate stocks.

On the Ho Chi Minh Stock Exchange (HOSE), the VN-Index lingered high above the reference line in the afternoon and ballooned at around 2:15pm on strong buying force. The index closed the session at 1,122.46 points, up 6.44 points (0.58 per cent) compared to the previous session.

The number of decliners was dwarfed by advancers by 131 to 197. None hit floor prices, whereas 27 sat at the other end. The exchange was busy with over VND15.3 trillion (US$650 million) worth of shares being traded.

"Investors are optimistic with an expectation that FED would leave rates untouched in its upcoming meeting," said an analyst.

The VN30-Index echoed the VN-Index pattern. It gained 5.76 points (up 0.52 per cent) to end at 1,115.39 points. In the basket, 16 stocks rose, four stayed unchanged, and 10 fell.

Vietcombank (VCB) led the market rally yesterday with a gain of 1.49 per cent. Other stocks lifting indices included Vinhomes (VHM), BIDV (BID), Vingroup (VIC), Hoa Phat Group (HPG), and No Va Land (NVL).

By sector, construction materials posted gains yesterday as investors put their bets on bullish construction firms. In the sector, Hoa Phat Group (HPG) rose by 1.96 per cent, followed by Hoa Sen Group (HSG) and Vicostone (VCS).

Real estate was the next sector behind the market pickup as it saw lots of green on the screen. Major gainers included the trio stocks of the Vin family - Vinhomes (VHM), Vincom (VRE), Vingroup (VIC) - which climbed by 2.35 per cent, 1.5 per cent, and 1.31 per cent, respectively.

On the downside, machinery was the sector weighing on the market yesterday as it lost 1.03 per cent. In the sector, Thibidi (THI) and Nagakawa (NAG) closed lower with drops of 4.62 per cent and 3.93 per cent, in that order.

The HNX-Index on the Ha Noi Stock Exchange (HNX) followed the bullish trend with a rise of 0.88 points (0.38 per cent) to end at 230.25 points.

Foreign investors poured money into the markets as they net-bought a total of around VND247 billion worth of shares on the two exchanges. Of which, they net bought VND177 billion on HoSE and VND70 billion on HNX.

Macro & Policies

2. Can Gio int'l transit terminal project to creat breakthroughs for marine economy

The city's Transport Department has proposed the municipal People's Committee to develop the project.

Under the proposal, the terminal will be located at the mouth of the Cai Mep - Thi Vai River, in Ganh Rai Bay, near international shipping routes passing through the East Sea, between regions with great growth potential in Asia.

In addition, the port is adjacent to the Vung Tau - Thi Vai navigation route, which is considered the best in Vietnam today as it can accommodate vessels with a tonnage of up to 232,494 tonnes (24,000 TEU).

The port's location is considered to have competitive advantages that can help attract international sources of goods from countries such as Cambodia, Thailand, Brunei, the Philippines, and the southern part of China.

Currently, goods from those countries are mainly transshipped via Singapore or Malaysia. If transhipped via the Can Gio terminal, the goods' journey is reduced by about 30% - 70% compared to the distance transported to Singapore.

Regarding the volume of cargo through the port, it is forecast that the proportion of transshipped container goods will reach 28% - 30% of the total volume of global container transport, equivalent to 274 - 293 million TEUs by 2025. In particular, nearly 60% of the volume of global container shipping is through the East Sea.

Ports in Southeast Asia will account for about 30% of the transshipment volume, equivalent to 82-88 million TEUs by 2025. The capacity of Southeast Asia's international transshipment ports is currently nearly 53.6 million TEUs. So, new ports will still have the opportunity to attract 28.4 - 34.4 million TEU of transshipment goods.

In particular, the investment commitment from the Mediterranean Shipping Company (MSC), the world's largest container shipping firm, will ensure cargo for the Can Gio terminal. The volume of cargo through the Can Gio international transshipment port is forecast to be 4.8 million TEU by 2030, and 16.9 million TEU by 2047.

Can Gio international transit terminal is said to not affect or compete with Cai Mep - Thi Vai port in Ba Ria - Vung Tau province. The volume of international transshipment at the port is very small, less than 5%, and mainly from Cambodia. Cai Mep-Thi Vai port cannot receive vessels with a capacity of over 10,000 TEU while the Can Gio terminal is built to mainly serve transshipment goods.

Economic expert Tran Du Lich, a member of the Government's Advisory Group, said that the Can Gio terminal project has favourable conditions for implementation, particularly in terms of location and investors.

It's not a matter if it's necessary to build the terminal but the matter now is how to deploy it as quickly as possible so as not to miss the opportunity, Lich said.

He suggested the Southeast Coordination Committee needs to join hands to speed up the project concertedly.

The project proposal is expected to be reported to the Ministry of Transport and submitted to the Prime Minister in May 2024. If approved, it is divided into seven implementation phases with the first expected to be completed in 2027 and the last, in 2045.

3. Hydropower plants' reservoirs get more water

On May 10, the Vietnam Electricity Group (EVN) reported that reservoirs' water levels were lower than the annual average and 10 are either close to or under the "dead level".

According to the Electricity Regulatory Authority of Vietnam under the Ministry of Industry and Trade (MoIT), the current water level of the multi-purpose hydropower reservoirs is already above the dead level, but not much.

Currently, the north's maximum power generation capacity reaches 18,580 MW, of which the maximum capacity of hydroelectricity is 3,800 MW.

Following the Prime Minister's direction to curb power shortage, the MoIT has been implementing solutions to ensure the supply of coal and gas for power generation, add new power sources, increase water storage at reservoirs, and flexibly operate reservoirs.

4. Ho Chi Minh City urged to explore financial hub options

At a National Assembly (NA) meeting in late May, Minister of Planning and Investment Nguyen Chi Dung confirmed that studies on establishing financial centres in Ho Chi Minh City and Danang are underway, though transforming the former into an international financial centre (IFC) will be no easy feat.

He acknowledged the complexity of the task, stating that the city was still grappling with defining the concept, scope, resources, model, and necessary conditions.

The Ministry of Planning and Investment will conduct in-depth research and report to the NA in due course, while Minister Dung also supported the inclusion of the IFC agenda in the current draft resolution.

The notion of transforming Ho Chi Minh City into an IFC was initially proposed two decades ago, but has remained on paper ever since. But while the city's plan for this decade has laid out guidelines for establishing special mechanisms to develop the city as an IFC, NA Chairman Vuong Dinh Hue has suggested that a separate plan be developed, rather than incorporating it into the current draft resolution on special mechanisms.

Hue discussed two approaches to building such a centre, questioning whether Ho Chi Minh City should be developed as a complete financial hub or if it should host a distinct financial centre within its boundaries.

Leveraging advantages

Ho Chi Minh City's proposed IFC model consists of three key components: the currency market and banking system, the capital market, and the derivatives market.

To realise this vision, the city has formulated four action programmes: developing fintech, digital banking, and financial transactions; integrating the region into the financial centre; developing the financial and commercial district of Thu Thiem; and expanding the commodity market. These programmes include proposals such as establishing independent digital banks and creating a derivatives trading exchange.

In addition to financial services, the envisioned IFC aims to include entertainment facilities and casinos, with a focus on attracting investors. The city has outlined a three-stage roadmap to complete the development of the international financial centre by 2030.

Dr. Phung Huong Giang, a lecturer and researcher at the ISC Business School in Paris, emphasised at last week's conference on building Ho Chi Minh City's financial centre that given the intense competition from well-established and reputable financial institutions with a track record of quality service, it would not be a walk in the park.

"Vietnam should explore global demand for niche markets or alternatives to establish itself as an IFC," she said.

Giang identified several fundamental factors that determine the ranking of an IFC, including the economic strength of the host country, national governance and business environment, comprehensive financial development, a skilled labour force, access to infrastructure, and national reputation. The city still lacks several critical elements, particularly in terms of infrastructure.

Tran Nhat Khanh, managing partner of Touchstone Partners, highlighted the legal risks faced by startups, particularly in areas of convergence such as educational, agricultural, and healthcare technology. To overcome these challenges, he suggested the establishment of a sandbox to stimulate innovation and creativity.

Furthermore, innovative startups should benefit from exemptions or reductions in personal income tax (PIT) for specialised professionals.

"An AI scientist earning $500,000-700,000 annually in the US would only receive approximately half that in Vietnam, with an additional 35 per cent deducted as PIT," Khanh noted. "Singapore, on the other hand, makes government investments in venture capital and private equity funds. The city could explore cash investments, tax incentives, and other measures to provide assistance to startup ventures."

Meanwhile, the growth of the domestic stock market stands as a critical factor in transforming the city into an IFC. In light of this, Nguyen The Minh, research director at Yuanta Securities, proposed the elevation of listing standards for traded commodities.

At present, the Ho Chi Minh Stock Exchange imposes stricter listing requirements compared to the other two exchanges, yet there remains a proliferation of "junk stocks" listed. Thus, a filtering process, enhanced transparency, and the application of international accounting standards should be implemented for companies debuting on the exchange.

"To attract foreign capital, mechanisms should be established to facilitate swift securities account opening for foreign investors. Foreign ownership restrictions should also be addressed promptly by introducing non-voting depository receipts, allowing foreign investors to acquire shares and have shareholder rights without voting privileges," Minh said.

Moreover, the city requires specific mechanisms to facilitate the equitisation and divestment processes of state-owned enterprises. Additionally, better conditions should be created for large-scale foreign-invested enterprises with an A-rated credit to be listed on the Vietnamese stock exchange.

Seeking cross-border cooperation

Dr. Nguyen Huu Huan, finance head at the Ho Chi Minh City University of Economics, said that the city possesses several exceptional factors that can contribute to its development as an IFC.

"For instance, Singapore's corporate income tax rate stands at 17 per cent excluding startup incentives. Meanwhile, it is 20 per cent in Vietnam, indicating a relatively minor disparity that could be further diminished through tax reductions. The cost of establishing a business in Vietnam amounts to approximately $2,000, in stark contrast to over $5,000 in Singapore," Huan said.

Additionally, in Singapore, appointing a resident as a director when starting a business incurs additional costs. On the other hand, Vietnam offers a more cost-effective option, with business maintenance expenses ranging $2,000-3,000, while in Singapore, they can be as high as $20,000.

Vietnam aspires to capitalise on abundant collaborative opportunities offered by other global powerhouses to establish itself as an eminent IFC.

Vietnam's State Vice President Vo Thi Anh Xuan on May 7 engaged in deliberations with Qatar's Deputy Emir Abdullah Bin Hamad Al Thani, underscoring the untapped potential for mutual synergy in commerce, investment, tourism, and particularly in building an IFC.

Earlier last month, Vietnam's Ministry of Finance and Luxembourg consummated a landmark strategic financial partnership agreement, heralding a novel paradigm of cooperation between the two nations after a five-decade diplomatic establishment.

The crux of this accord centres around Luxembourg imparting its invaluable expertise to assist Vietnam in erecting a formidable financial stronghold. The two parties resolved to implement the partnership between the Vietnam and Luxembourg stock exchanges, whilst intensifying collaborative efforts in the banking arena and harnessing Luxembourg's financial resources to bolster Vietnam's pursuit of the Green Growth Strategy for 2021-2030 and beyond.

Elsewhere, Dr. Patrick Lau, deputy executive director of the Hong Kong Trade Development Council, said that more cooperation should be strengthened across Asia, including building a suitable financial centre.

"Vietnamese businesses, as well as other ASEAN eligible companies, can utilise Hong Kong more, such as in dual-listing here, as a way to hedge risk and tap into the wider pool of international investors. There's no certain recipe for success to developing an IFC, but different countries could have their own advantages to boost their attractiveness as a new-model IFC, such as be being a hub for growth-stage fintech or venture capital funds," Lau told VIR.

5. Vietnamese enterprises' major post-COVID challenges named

They include the increase of inflation rate/prices of goods and materials; the risks of crisis and increasing costs that suppliers suffer; the insufficient quality of human resources; the improper logistics services; the labour shortage; the changes and lack of transparency in regulations related to governance/environment/society; the technology/digital and cybersecurity-related risks; the ethical/legal/reputational risks of distributors/intermediaries and agents; and difficulties for business to access bank capital.

The report on evaluation of support policies for enterprises impacted by the COVID-19 pandemic was conducted with data provided by 355 enterprises in 46 localities across the countries, nine business associations in Ho Chi Minh City and Hanoi, and 11 State agencies.

Findings show signs for the recovery of businesses in 2022 and positive growth of 10.4%. However, the growth was achieved thanks to the low starting effect caused by the sharp decline during the pandemic. According to the report, the actual growth in 2022 is 0.8% compared to 2019, which nearly reached the level before the epidemic. So, it raised the need for Government to take measures to support and promote the growth rate in the subsequent years.

The report was carried out through the technical assistance project to promote reforms and enhance linkage for small- and medium-sized enterprises (LinkSME) of the United States Agency for International Development (USAID).

LinkSME supports research and evaluation of the effectiveness of these policies to seek lessons in the design and implementation of government support programmes and policies.

The report is expected to make recommendations to the Prime Minister and the Government on amendments to the business support programmes and policies.

6. Online exports expected to be economic growth driver

Tran Thi Yen Phi, CEO of DSW Services and Trading Company Ltd, said the operation of online stores on cross-border e-commerce platforms has helped the firm improve its revenue.

Vice Director of Proline Vitenam Production and Trading Co., Ltd Nguyen Xuan Hai Yen said online export is the most efficient and cost-effective way for small- and medium-sized enterprises (SMEs) to quickly reach customers.

Meanwhile, Roger Lou, National Director of Alibaba.com in Vietnam, said despite significant challenges and obstacles, a number of sectors of Vietnam such as agriculture and food and beverage have achieved record-breaking export figures.

The official expressed the belief that global e-commerce can help Vietnamese SMEs increase their production scale, and effectively exploit international markets towards further expanding their exports.

Amazon Global Selling's report in 2022 showed that Vietnam's retail revenue from cross-border goods reached 80 trillion VND (3.4 billion USD) in 2022, and can hit 250 trillion VND by 2026.

Amazon Head of Global Selling Vietnam Gijae Seong said Vietnam boasts advantages to promote exports through online platforms.

Last year, nearly 10 million Vietnamese items were offered on this e-commerce platform, up 35% compared to the same period of 2021.

In its latest survey, Access Partnership stated that Vietnam's export revenue through e-commerce platforms is likely to reach nearly 300 trillion VND by 2027 if domestic firms are supported to promote online exports.

Addressing a recent workshop, Lai Viet Anh, Vietnam e-Commerce and Digital Economy Agency under the Ministry of Industry and Trade, said with an annual retail e-commerce growth rate of over 20%, Vietnam is being classified among the countries with the sharpest e-commerce growth rate in the world.

This is a potential industry and coming in line with the Government's digital economic policy, she stressed, adding that the MoIT has been deploying programmes to support SMEs in enhancing cross-border selling skills, and exploiting features of global e-commerce platforms.

According to a report on the Vietnam E-Business Index (EBI) 2023 conducted by the Vietnam E-commerce Association (Vecom), Vietnam's e-commerce market is expected to grow by 25% by the end of 2023.

The booming e-commerce sector in 2023 and development in the subsequent years is aided by a series of growth drivers such as the wave of digital transformation, consumers' trust, technological infrastructure, and favourable mechanisms and policies issued by the Vietnamese Government, the report said.

7. Vietnam, Malaysia set trade target of 18 bln USD by 2025

Speaking at a meeting on June 12, Tran Phu Lu, deputy director of HCM City Investment and Trade Promotion Centre (ITPC), said the city will continue to improve its business climate and streamline administrative reform, including creating favourable conditions for Malaysian investors.

The ITPC under the city administration regularly organises activities to support city businesses to promote trade and investment, and expand export markets, he said.

Vietnam and Malaysia have vowed to strengthen cooperation in tourism, culture, and science and technology, among other sectors, he said.

The visit by the Malaysian Prime Minister to Vietnam last year confirmed the strategic relationship between the two countries, he added.

Bilateral trade reached nearly 14.8 billion USD last year with Vietnamese exports to Malaysia worth 5.57 billion USD and imports 9.1 billion USD.

HCM City's total imports and exports with Malaysia last year were estimated at over 5.4 billion USD, up 8% year-on-year.

As of the end of March, Malaysia invested in 329 projects in HCM City with a total investment of nearly 4.9 billion USD, ranking sixth out of 116 countries and territories investing in the city.

Malaysia is one of Vietnam's 10 largest trading partners. The two countries are also members of a number of new-generation free trade agreements, which help boost bilateral trade.

The free trade agreements include the Regional Comprehensive Economic Partnership (RCEP), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the ASEAN Trade in Goods Agreement (ATIGA) and the ASEAN Free Trade Area (AFTA).

Key Vietnamese exports to Malaysia include machinery and equipment and their parts, computers, electronics and components, steel, petroleum, and chemicals.

The two countries established diplomatic relations in 1973, which were upgraded to a strategic partnership in 2015.

Corporate News

8. HDB: Moody's confirms HDBank's B1 ratings on low NPLs, high operational efficiency

↑ 1.09 %

Moody's Investors Service has confirmed HDBank's B1 long-term foreign and local currency bank deposits and issuer ratings.

It also confirmed the lender's B1 ratings for long-term foreign and local currency counterparty risk, long-term counterparty risk assessment, foreign and local currency issuer, and foreign and local currency bank deposits.

Moody's said: "The confirmation of HDBank's long-term ratings and BCA (Baseline Credit Assessment) reflects the bank's broadly stable credit profile through the cycle, underpinned by its granular loan book, strong profitability and capital retention."

According to its assessment, as of March 2023 HDBank's nonperforming loan ratio was at 1.9 per cent, lower than the average of 2.3 per cent for Moody's rated peers in Viet Nam.

The bank's focus on retail and small and medium-sized enterprise borrowers has resulted in low concentration risk and reduces the risk of a spike in nonperforming loans, it said.

HDBank has strong profitability, Moody's said.

For the first three months of 2023 its annualized return on assets was 2.4 per cent, higher than the average of 1.7 per cent for Moody's rated peers.

Moody's has changed the rating outlooks, where applicable, to negative from ratings under review, reflecting its expectation that persistently high loan growth and HDBank's planned acquisition of a weak bank will strain the bank's credit profile.

Phạm Quốc Thanh, general director of HDBank, said while it is understandable for Moody's to have a cautious view on HDBank's rating outlook, the bank has strategies for this acquisition.

As for the growth in outstanding loans, HDBank is proud of its very good asset quality thanks to its lending strategy that focuses on agricultural and rural development and supply chain financing, he said.

In the first quarter of 2023 HDBank's business results exceeded expectations, with pre-tax profit reaching VNĐ2.74 trillion ($116.4 million). Notably, capital adequacy, NPL and profitability ratios continued to remain at good levels vis-à-vis the industry.

Its capital adequacy ratio based on to Basel II norms is 12.5 per cent, of which tier 1 capital accounted for 10 per cent.

The consolidated NPL ratio was 1.9 per cent and the standalone NPL ratio was 1.5 per cent, lower than the industry's average (of around 2.9 per cent as of the end of February 2023).

Operating expenses were effectively managed, with an expense/income ratio of 34.6 per cent, a sharp improvement from the 39.3 per cent at the end of 2022.

9. CTI: Plan for bond repurchase before maturity

↓ -0.33 %

The Board resolution dated June 08, 2023, the BOD of Cuongthuan Idico Development Investment Corporation approved the plan to repurchase bonds before maturity with details as follows:

- Bond code: CTIB2124001

- Issue date: June 11, 2021

- Maturity date: June 11, 2024

- Estimated repurchase volume: 45 bonds

- Estimated value (at par value): VND45,000,000,000

- Estimated time: June 12, 2023.

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