



VIETNAM DAILY NEWS



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Table of content

Table of content

- 1. Benchmark indices extend losses**
- 2. Interest rate cut expected to pump economy up**
- 3. Average payments via banks reach 40 billion USD a day: insider**
- 4. Thai retailers advised to effectively exploit Vietnamese market**
- 5. Viet Nam to build 'integrated payment ecosystem' to promote cashless payments**
- 6. More enterprises exporting goods to China via Mong Cai border gate**
- 7. Vietnam, Algeria boost bilateral trade**
- 8. VIC: VinFast plans merger with Black Spade amid revenue contraction**
- 9. VND: VNDirect explains large exposure to Trung Nam bond**

Market Analysis

1. Benchmark indices extend losses

The stock market extended the bearish trend on Monday, weighed by risk-averse sentiment from both domestic and foreign investors.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) decreased by 9.82 points, or 0.88 per cent, to close the trading day at 1,105.4 points. This marked its fourth day of decline.

The breadth of the market inclined to the negative zone, as declining stocks outnumbered gaining ones. On the southern bourse, 233 stocks dropped while 95 ticker symbols inched higher.

Liquidity slumped with the trading value on HoSE down more than 36 per cent over the last session to VND14.3 trillion (US\$608.5 million). The exchange's trading volume also tumbled by 33.3 per cent to over 811.3 million shares.

The benchmark index was dragged by losses in many large-cap stocks. The VN30-Index, which tracks the 30 biggest stocks on HoSE, traded lower at 1,098.94 points, down 10.12 points, or 0.91 per cent.

In the VN30 basket, ten stocks climbed higher, while 18 went down, and two stayed flat.

Vietcombank (VCB) posted the biggest loss on Monday and led the market's fall. The bank's shares plummeted by 3.14 per cent.

Other pillar stocks in the financial sector weighing on the sentiment were Techcombank (TCB), down 1.38 per cent, BIDV (VID) lost nearly 1 per cent, MBBank (MBB) down 0.76 per cent, and VNDirect Securities Corporation (VND) fell by 1.03 per cent.

Also pressuring the market, realty and manufacturing stocks faced strong sell-off on Monday.

Two of the trio Vin family stocks, Vingroup (VIC) and Vinhomes (VHM), dipped by 2.62 per cent and 1.75 per cent, respectively. Another appealing property developer Novaland also saw a sharp fall of 6.04 per cent.

Meanwhile, Masan group (MSN), Gelex Group (GEX), Hoa Sen Group (HSG), and Nam Kim Group (NKG) all lost at least 1.5 per cent in the opening session of the week.

Similarly, the HNX on the Ha Noi Stock Exchange (HNX) finished Monday at 226.52 points, a decline of 1.92 points, or 0.84 per cent.

The market was also under the pressure of foreign capital outflows as foreign investors were net sellers on HoSE. Particularly, they net sold more than VND104.4 billion on the southern bourse but net bought VND4.83 billion on HNX.

Macro & Policies

2. Interest rate cut expected to pump economy up

According to experts, the four major reasons behind the SBV's decision are Fed's ending of interest rate hike after 10 consecutive increases, a downturn trend of inflation since February, the stable domestic currency demand and stronger liquidity of the banking system, and a drop in exports and investment in industrial production in May.

In the domestic market, the pressure on interest rates and exchange rates has been significantly eased. In fact, the interest rate level in Vietnam has decreased by 1%-1.5% and the USD/VND exchange rate even slightly decreased by 0.57% compared to the beginning of the year.

Dr. Nguyen Huu Huan from the Ho Chi Minh City University of Economics said that the SBV's decision will create a boost to the economy, providing favourable conditions for the people and businesses to access capital at lower interest rates.

Associate Prof. Dr. Dinh Trong Thinh held that the SBV's reduction of interest rates for four times in a row within only four months will enable commercial banks to cut their deposit interest and lending rates.

Thinh underlined that there is a high hope that the rates in the economy will return to the 2019 level by the end of this year, but with the reduction speed recorded recently, the scenario may happen by the end of the third quarter.

The reduction of the ceiling lending interest rate was also welcomed by businesses. Tran Duc Nghia, General Director of Delta International Company, said that the SBV's move to reduce interest rates for the fourth time in a row will certainly bring down the lending interest rates, thereby reducing the loan cost for business. In particular, this is a reduction in operating interest rates, not a single interest rate reduction by a few banks, which means all businesses will benefit.

More over, not only businesses, individual customers will also benefit from the reduced lending

interest rates, which is expected to encourage consumption, production and business activities, resulting in a double impact on the economy, Nghia underlined.

SBV leaders said that the cut in interest rate ceiling for short-term VND loans will create favourable conditions for businesses and people to access low-cost loans for production and business in priority areas and key areas playing the role as a driving force for economic growth in accordance with the Government's policy.

Nguyen Xuan Thanh, a senior lecturer of Fulbright University, said that although the operating rate has been reduced four times, it has yet to be enough to make an impact on the economy as the capital expenditures of banks are still high, while many firms have still had no access to capital.

Economist Can Van Luc held that inflation is not a really big problem now as world inflation and prices are falling, while the exchange rate has remained stable, along with weak demands and slow money cycle. But he still stressed the need to enhance the coordination efficiency among the policies, especially monetary, fiscal, price policies and other macro-economic ones to actively rein in inflation and ensuring macroeconomic stability.

Leaders of the SBV affirmed that the bank will continue to pay attention to dealing with the inflation pressure, while keeping a close eye on the domestic and global situation to direct credit organisations to cut cost and reduce lending interest rates so as to support businesses during the recovery and development process.

However, experts held that interest rate cut is not the "universal key" to "unlock" credit, promote cash flow, recover consumption, and boost economic growth. They pointed to the need for the stronger fiscal policies to encourage consumption and production, as well as the speeding up of public investment to support businesses and the economy.

3. Average payments via banks reach 40 billion USD a day: insider

Speaking at a recent seminar held as part of Cashless Day 2023, Tuan said that the central bank has set a goal of making cashless payments account for half of all transactions by 2025.

It will prioritise the establishment of a more comprehensive, accessible, and secure payment infrastructure across the country to make digital payment a preferred mode of transactions for all.

The central bank is also drafting a new decree to create a legal framework to promote non-cash payments, he added.

According to an SBV report, more than 75% of adults across the country currently have a bank account.

Interbank electronic payment transactions increased by 52.8% year-on-year in terms of volume in the first four months, it said.

Payment via QR code had the most impressive growth with an increase of more than 161% in quantity and 36% in value.

Cash withdrawals at ATMs continued to decline, falling by 3.5% in quantity and 5.5% in value.

4. Thai retailers advised to effectively exploit Vietnamese market

The country's The Nation newspaper quoted DITP director-general Phusit Ratanakul Sereroengrit as saying Thai retailers investing in Vietnam must focus on developing clean and environmentally friendly production, as well as aim for a circular economy and green labelling.

These efforts will contribute to their growth in the Vietnamese market, Phusit said, advising them to give attention to social media platforms in Vietnam, such as selling their products through Facebook Live and TikTok, making it easier to reach Vietnamese customers.

E-commerce is an interesting channel for businesses looking to expand their trade into the Vietnamese market, as it requires lower costs compared to

opening physical stores and also allows access to the target consumers, he said.

However, the government has been making improvements to laws related to online commerce. Businesses seeking to enter the online market in Vietnam should study the laws and regulations related to e-commerce in the country, he suggested.

Vietnam's retail market is expected to reach 350 billion USD in 2025, which will account for 59% of total domestic product sales, Phusit added.

DITP's activities in Vietnam include promoting Thai product sales in collaboration with retail chains in Vietnam, such as Go! and Tops Market, from August 1-14.

5. Viet Nam to build 'integrated payment ecosystem' to promote cashless payments

With emerging technologies such as AI and blockchain, Viet Nam has the ability to leverage data connectivity to create 'an integrated payment ecosystem' to promote cashless payments, experts said at a meeting last Friday in HCM City.

Speaking at a seminar held as part of Cashless Day 2023, Pham Tien Dung, deputy governor of the State Bank of Vietnam (SBV), said: "Data connectivity is

the key to unlocking the full potential of cashless payments."

"By sharing data and collaborating across the ecosystem, we can create a more convenient and secure payment experience for customers, while also driving financial inclusion and economic growth," he said.

The SBV aims to invest in infrastructure and foster innovation to create an ‘inclusive payment ecosystem that is accessible, convenient, and secure for all,’ he said.

Pham Anh Tuan, director of the SBV’s Payment Department, said: “We have set a goal of making cashless payments account for half of all transactions by 2025.

“We will prioritise the establishment of a more comprehensive, accessible, and secure payment infrastructure across the country to make digital payment a preferred mode of transactions for all,” he added.

With an already strongly developed payment infrastructure, Viet Nam sees average payments of US\$40 billion per day, according to Tuan.

The central bank is drafting a new decree to create a legal framework to promote non-cash payments.

He stressed the important role of emerging technologies such as artificial intelligence (AI) and blockchain in improving data connectivity and enhancing the customer experience.

These technologies also help automate payment processes, reducing fraud and errors, and ‘personalise the payment experience and offer targeted benefits and incentives to consumers,’ he noted.

Cashless payment a must

Phan Van Mai, chairman of the People’s Committee, speaking at the seminar, said: “Digital payment is not just an option but a necessity for the future.”

Mai proposed specific regulations to accelerate cashless payments, such as transactions above VND10 million requiring payment via banks, to boost cashless payments.

City agencies such as healthcare, education, insurance, and transportation had conducted cashless transactions, he said.

The city had issued a data strategy, including incentives to encourage cashless payments.

It would continue to work with business associations and industries to promote cashless payments through widespread publicity, he added.

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The seminar was organised as part of Cashless Day 2023, attracting over 200 participants, including business owners, government officials, and representatives from the banking and fintech industries.

In addition, the Cashless Town Festival was organised from June 16-18 as part of Cashless Day 2023, attracting a diverse collection of merchants, consumers and tech enthusiasts.

It offered various promotion programmes for shoppers and showcased a wide range of cashless payment solutions, including mobile wallets and QR code payments.

6. More enterprises exporting goods to China via Mong Cai border gate

According to the head of the border gate management board Tran Bich Ngoc, import-export

activities via the border gate stay stable with trade turnover from the beginning of this year to June 15

reaching nearly 1.5 billion USD, a year-on-year increase of 8.24%.

Specially, export turnover topped 1 billion USD, and import turnover 460.8 million USD. State budget revenue reached 667.77 billion VND (28.4 million USD), marking a year-on-year increase of 35%.

Ngoc said that as of June 15, the total volume of import and export goods traversing the border gate neared 753,000 tonnes, an increase of 265% over the same period in 2022.

It is estimated that by June 30, it will reach 833,000 tonnes, up 198% over the same period last year.

Particularly, Bac Luan II Bridge Border Gate will see the entries and exits of 21,534 vehicles with nearly 360,000 tonnes, an increase of 147% in goods volume over the same period in 2022. On average, there are 160 vehicles carrying 2,662 tonnes of goods daily.

Crossing Km3+4 Hai Yen will see 22,704 vehicles carrying nearly 372.5 tonnes of import and export goods. On average, 143 vehicles with 2,343 tonnes of goods traverse the crossing daily, an increase of 585% over the same period in 2022.

Vietnam's exports to the Chinese market are mainly fruits, tapioca, frozen seafood, shrimp, crabs, fish, and other dried goods. Imports from China to China are mainly groceries and fabrics.

7. Vietnam, Algeria boost bilateral trade

The event attracted the participation of 13 Vietnamese businesses and 25 Algerian firms operating in the import and export of agricultural products, food, industrial products, fishing tools, and cosmetics.

Vietnamese Trade Counsellor in Algeria Hoang Duc Nhuan introduced to participants the trade and investment cooperation situation between the two countries and promising business opportunities.

Besides the need to import agricultural products, solar panels, auto parts, footwear, powdered milk, and fabrics from Vietnam, Algerian businesses showed their hope to export dates, olive oil, flavourings, chicken feet, lobsters, sea cucumbers.

They also called for Vietnamese businesses to cooperate and invest in Algeria in poultry farming, aquaculture, and construction.

On this occasion, the Vietnam Trade Office also invited Algerian firms to visit a booth introducing Vietnamese goods at the 54th Algiers International Fair (FIA 54) scheduled to be held from June 20-25 at the Exhibition Palace Pins Maritimes, as well as participating in the Vietnam International Sourcing 2023 to be organised by the Ministry of Industry and Trade from September 13-15 in Ho Chi Minh City.

According to data of the General Department of Vietnam Customs, in the first five months of 2023, two-way trade reached about 116 million USD, up more than 80% year-on-year.

Corporate News

8. VIC: VinFast plans merger with Black Spade amid revenue contraction

↓ -2.62 %

Despite encountering a substantial decline of nearly 50 per cent in first-quarter revenue, VinFast remains resolute, forging ahead with a merger that values the conglomerate at an estimated \$27 billion.

According to Reuters, VinFast has officially divulged its intentions to consummate the merger with Black Spade Acquisition Co., setting its sights on a pre-July 20 culmination.

This valuation, premised on the discernment of Black Spade, underscores VinFast's potential to rival established EV manufacturer Lucid Motors in terms of revenue scale and global market penetration. The focal point for VinFast presently revolves around augmenting sales performance within the US.

Black Spade Acquisition Co, instigated by the reputable Black Spade Capital, represents an investment fund renowned for orchestrating a cross-border investment portfolio. Collaborating with VinFast showcases the fund's astute interest in expanding its investments beyond geographical boundaries.

On the other hand, VinFast confronts a formidable challenge as it navigates a fiercely competitive EV market, spearheaded by industry titan Tesla. Elon

Musk's brainchild, Tesla, exhibits resilience amid global economic headwinds, continuously launching a range of EV models. The dynamic market landscape necessitates VinFast to craft cogent strategies to differentiate itself and secure a distinctive market position.

Pham Nhat Vuong, chairman of Vingroup's Board of Directors, revealed during the recent AGM in May that VinFast could reach the break-even point in earnings before interest, taxes, depreciation, and amortisation by the 2024-2025 period, provided its business operations aligned with the plan.

Vuong, the wealthiest man in Vietnam, envisions an impressive sales volume of 50,000 vehicles in the current fiscal year, a remarkable sevenfold increase over 2022.

VinFast's strategic blueprint encompasses robust emphasis on penetrating North American markets through enhanced exports, alongside its strategic entry into the competitive European market.

In addition, at the Future Mobility Asia 2023 event in Thailand in May, VinFast also unveiled its expansion plans into the Southeast Asian market while maintaining its existing focus on North America and Europe.

9. VND: VNDirect explains large exposure to Trung Nam bond

↓ -1.03 %

At its 2023 AGM on June 17, VNDirect's CEO Pham Minh Huong said that the brokerage has diversified its investment portfolio, focusing on sectors such as energy, infrastructure services, education, healthcare, tourism, technology, and food and beverages.

One standout venture in VNDirect's portfolio is Trung Nam, Vietnam's prominent renewable energy firm. According to Huong, Trung Nam is a promising business, with the capability to execute development projects and also identify investment opportunities.

By securing external capital beyond traditional commercial funding, Trung Nam is seeking to establish a robust energy infrastructure that will ensure energy security for Vietnam during its socioeconomic development.

In addition to Trung Nam, VNDirect is actively investing in other enterprises, such as Cenland (real estate services), Cienco 4 (infrastructure), and Crystal Bay (tourism services). These companies possess the essential infrastructure prerequisites that align with their respective sectors' growth prospects.

Huong also shed light on the decision for VNDirect to co-guarantee Trung Nam's bond issuance alongside Vietcombank for its projects in Dak Lak and other capital mobilisation activities. However, Trung Nam's bonds, along with several others, face repercussions following the Van Thinh Phat - SCB incident.

"To safeguard individual investors during the Van Thinh Phat incident, VNDirect has had to repurchase a significant number of bonds, including Trung Nam's. Consequently, VNDirect's exposure to Trung Nam has grown substantially," said Huong.

Nevertheless, Huong asserts that the current risk pertains mostly to temporary liquidity constraints rather than structural or economic risks. While policy risks exist, the company diligently evaluates them before engaging in bond guarantees.

"VNDirect encountered an unforeseen risk arising from investor sell-offs. Due to insufficient experience in managing such scenarios, our team had to repurchase a substantial quantity of bonds, including Trung Nam's, after the Van Thinh Phat incident. This led to a situation where the bonds were undervalued during the sale, raising concerns regarding investor comprehension and market protection," she explained.

Huong also revealed that Trung Nam is currently grappling with challenges related to the Thuan Nam project, a wind power initiative in the Central Highlands province of Dak Lak. This project has required several years of technical adjustments to optimise wind conditions. In addition, foreign investments in Trung Nam have been affected by Credit Suisse's involvement, triggering concerns among international investors regarding associated risks.

Despite the hurdles, Trung Nam's power plants are operating at maximum capacity, generating positive cash flows. Moreover, Vietcombank is restructuring its loans to ease cash flow pressures on Trung Nam.

Huong also noted that Trung Nam is currently in the process of preparing its listing application for the Unlisted Public Company Market and addressing debt restructuring matters.

"Nevertheless, the company's future growth potential remains intact. Moreover, the energy firm benefits from the prevailing electricity shortage, as most of its power plants generate positive cash flows. VNDirect not only guarantees bond issuances, but also stands alongside Trung Nam in navigating challenging circumstances," she stated.

Effective risk management remains a paramount concern for VNDirect. Recent systemic risks have provided valuable lessons and opportunities for growth. Therefore, VNDirect is seeking capital expansion to enhance its financial capabilities, enabling it to fulfill its bond guarantee operations and offer secure and profitable investment products for market investors.

In October last year, Nguyen Tam Thinh, chairman of Trung Nam, revealed that the group is working towards attracting international funding for future energy projects. "Specifically, Trung Nam Group plans to raise nearly \$1 billion in international capital to develop the energy sector," Thinh stated.

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