Vietnam Equity Strategy

New Era Emerging

Equity Macro Research

Khoi Vu, CFA [AC]
(65) 6882-8170
khoi.t.vu@jpmorgan.com

Rajiv Batra [AC]
(65) 6882-8151
rajiv.j.batra@jpmorgan.com
J.P. Morgan Securities Singapore Private Limited

FTSE has confirmed it will upgrade Vietnam's equities market to Secondary Emerging Market status by September 2026, subject to an interim review in March 2026 (link). JPM's Index Research team estimate passive inflows to VN could be around U$1.3bn, with an estimated weight of 0.34% in the FTSE Emerging Market All Cap Index. **We raise our 12M base/bull targets for VN-Index to 2000/2200**, implying 20/30% potential upside from current levels, on the back of strong economic momentum, continuous reforms, and upgrade optimism. **That said, there exist multiple challenges in the near term that could cap upside.** We remain OW on Vietnam's Banks (VCB, ACB), Industrials, and Consumer Discretionary sectors. On the flipside, potential increased competition might pressure stock brokers.

- **Expecting US$1.3bn of passive flows following the upgrade.** FTSE announced the promotion of Vietnam from Frontier Markets to Secondary Emerging Markets status in conjunction with the September 2026 semi-annual review, subject to an interim review in March 2026. As part of this review, FTSE will determine whether sufficient progress has been made in enabling access to global brokers, which is important for index replication. Thus, we believe the Vietnamese government will need to push for more reform in this space. We estimate that 22 Vietnamese stocks could potentially be added to FTSE EM indices based on current market cap. The estimated passive inflow could be around U$1.3bn with an estimated weight of 0.34% in the FTSE Emerging Market All Cap index (see Table 1 for the full list).
- **Raising our VN-Index 12-month target.** Potential inflows, combined with a strong macro backdrop (3Q25 GDP growth accelerated to 8.2% y/y), prompts us to raise our VN-Index 12M base/bull target targets to 2000/2200 in the next 12 months. This indicates 20-30% potential upside from current levels. We believe earnings growth to be the main driver for market performance with consensus expectations of ~20% EPS growth in 2026 & 2027. If MSCI EM inclusion becomes more visible (see below), the index could see an additional 10% upside from P/E re-rating. **Do valuations look stretched?** Our new index targets imply a forward PE of 15x/16.5x over the next 12 months. While this is higher than the ASEAN & EM averages, we believe the long-term growth should justify this premium. Note that this is still below the two previous peaks of 17x (in 2021) and 23x (in 2018).
- **Broad reform momentum should continue.** The government has accelerated broad regulatory reforms in order to meet FTSE EM criteria. Beyond this upgrade, we believe there are multiple initiatives still in progress to boost capital markets. The Ministry of Finance has plans to implement a central-clearing party (CCP) model by 1Q27 and roll out multiple new products (intraday trading, stock lending - link). **This is expected to help Vietnam proceed further with the MSCI EM upgrade – which the government has set a target for 2030** (see link for MSCI market classification framework).

See page 5 for analyst certification and important disclosures.

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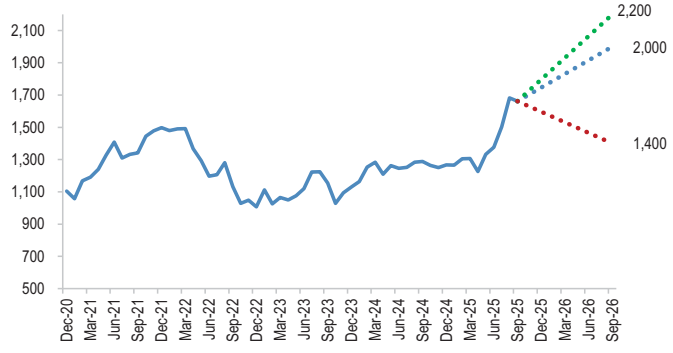
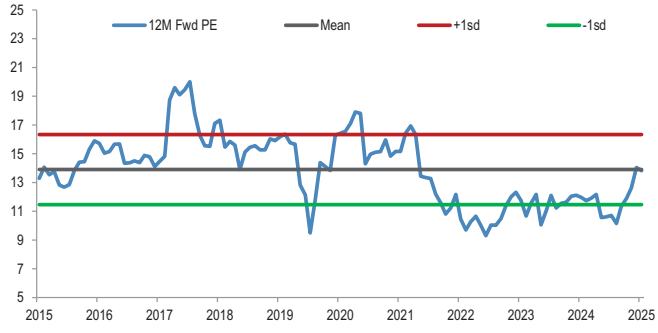
- **Balancing optimism and risks.** While we remain positive on Vietnam over the medium term, we think the market might face some near-term headwinds, including: **(1)** Outflows from profit-taking and frontier funds divesting ahead of EM inclusion; **(2)** Persistent currency depreciation due to monetary easing; **(3)** Elevated margin loan outstanding; and **(4)** Weak seasonality in the fourth quarter. A surge in capital raising, especially for securities brokers (TCBS, VPS, VPBS, MBS) could crowd out inflows. Note that the government needs to improve access for global brokers before the FTSE interim review in March 2026. **While this is positive overall for market access and flows, increased competition might pressure securities brokers, whose stocks have rallied ~50% YTD.**

Figure 1: VN-Index new target



Source: Bloomberg Finance L.P., J.P. Morgan.

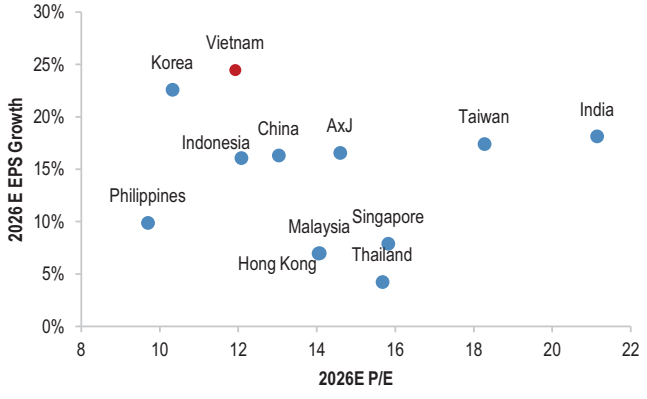
Figure 2: P/E valuation reverted to 10Y mean



Source: Bloomberg Finance L.P., J.P. Morgan.

Figure 3: VN stocks look attractive vs EM Asia peers

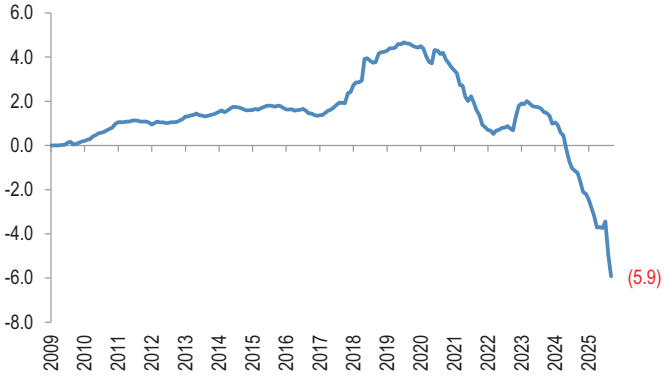
2026E EPS growth and P/E valuation



Source: Bloomberg Finance L.P. Consensus estimates, data based on MSCI indices

Figure 4: Foreign investors kept selling down VN stocks

Cumulative net flows to VN stocks (US$bn)



Source: Bloomberg Finance L.P., J.P. Morgan

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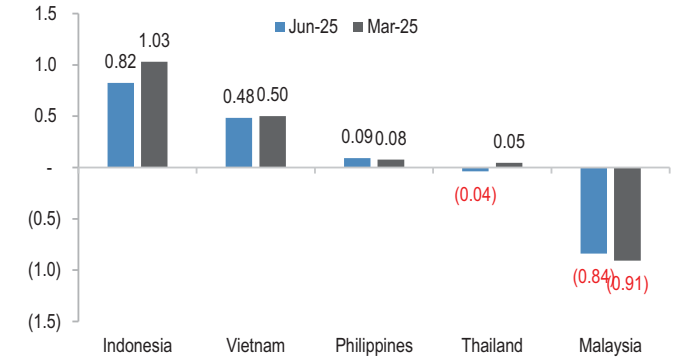
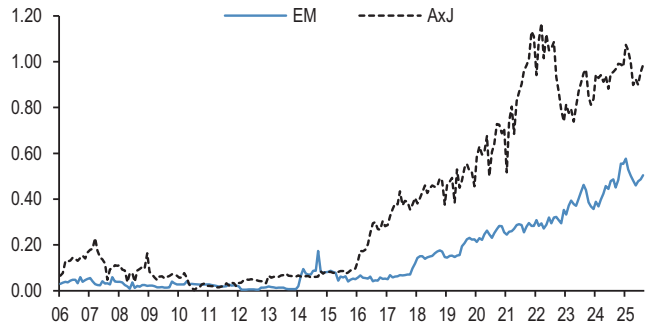
Figure 5: EM funds allocation by country

OW/UW % vs. MSCI EM Asia



Source: Bloomberg Finance L.P, J.P. Morgan Equity Macro Research.

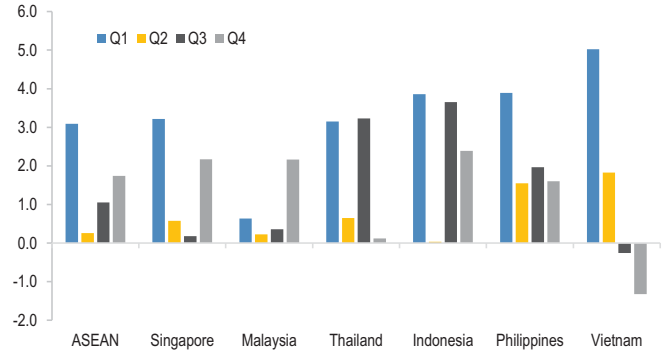
Figure 6: Median weightings of Vietnamese stocks in EM/AxJ funds



Source: EPFR, J.P. Morgan.

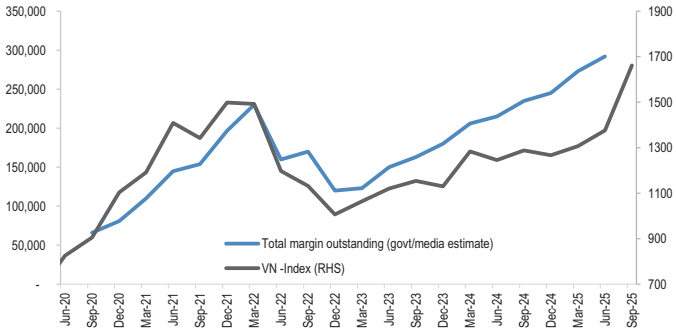
Figure 7: Q4 not a strong season for VN stocks (%)

Median q/q returns (%)



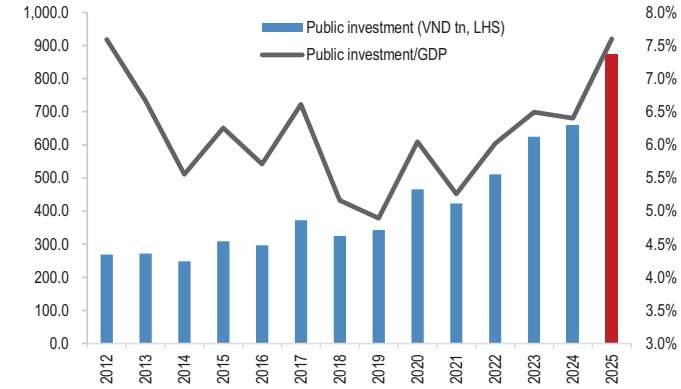
Source: Bloomberg Finance L.P. , J.P. Morgan.

Figure 8: Margin loans have reached a new high



Source: Bloomberg Finance L.P., J.P. Morgan, News article (link).

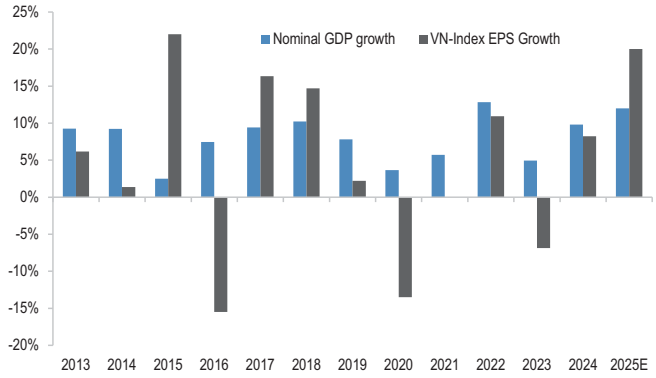
Figure 9: Government delivers highest investment/GDP since 2012



Source: CEIC Data, J.P. Morgan.

Figure 10: Nominal GDP growth/earnings growth

%y/y



Source: Bloomberg Finance L.P. Note: 2025 nominal GDP growth is the government target and EPS growth is consensus expectations.

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Table 1: Vietnam Promotion to FTSE Emerging - Potential Additions

	Ticker	Sector	Weg in FTSE EM All Cap (%)	Value ($mn)	Shares (mn)	ADV%
Vingroup JSC	VIC VN	Real Estate	0.06%	253	39	1324%
Vinhomes	VHM VN	Real Estate	0.04%	156	42	927%
Hoa Phat Group JSC	HPG VN	Materials	0.04%	154	144	224%
Joint Stock Commercial Bank for Foreign Trade of Vietnam	VCB VN	Financials	0.02%	77	33	572%
Masan Group Corp.	MSN VN	Cons. Stpl.	0.02%	76	25	286%
VIX Securities	VIX VN	Financials	0.02%	70	51	156%
SSI Securities	SSI VN	Financials	0.02%	68	47	120%
Vietnam Dairy Products JSC	VNM VN	Cons. Stpl.	0.01%	57	25	462%
SaiGon Thuong Tin Commercial JSB	STB VN	Financials	0.01%	43	19	220%
Vincom Retail	VRE VN	Real Estate	0.01%	37	31	568%
Vietnam Electrical Equipment	GEX VN	Industrials	0.01%	32	16	188%
VNDirect Securities JSC	VND VN	Financials	0.01%	31	37	133%
Saigon-Hanoi Commercial Bank	SHB VN	Financials	0.01%	31	47	54%
Viet Capital Securities	VCI VN	Financials	0.01%	30	19	233%
VietJet Aviation	VJC VN	Industrials	0.01%	27	6	281%
Khang Dien House Trading & Investment	KDH VN	Real Estate	0.01%	24	19	371%
Bank for Investment and Development of Vietnam	BID VN	Financials	0.01%	22	15	290%
Ducgiang Chemicals & Detergent Powder	DGC VN	Materials	0.01%	22	6	365%
Kinhbac City Development Share Holding Corp	KBC VN	Real Estate	0.01%	21	16	183%
Tien Phong Commercial Joint Stock Bank	TPB VN	Financials	0.01%	19	27	139%
No Va Land Investment Group	NVL VN	Real Estate	0.01%	19	33	196%
Vietnam Export Import Commercial JSB	EIB VN	Financials	0.01%	19	19	212%
Aggregate			0.34%	1289		

Source: FTSE, Bloomberg Finance L.P. and J.P. Morgan Derivatives and Delta One Strategy.

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