

Equity Strategy
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Market Upgrade & Scenarios



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Market Upgrade

On 10 August 2025, FSTE Russell upgraded the Vietnamese stock market from Frontier market to Secondary emerging market status. The upgrade is not only a technical recognition but also shows the reform efforts in policy to integrate the Vietnamese market with the global market.

Efforts from policy reforms

- Vietnam was in consideration for the market upgrade Watch List since September 2018 by FTSE. After 7 years of steady progress, the upgrade has been materialized. FTSE Russell announced that Vietnam was classified as a secondary emerging market on 8 October 2025.
- Since the end of 2024, non-prefunding solutions after a long period of implementation have shown positive results to meet the upgrade criteria:
 - ❑ 10 securities companies and 10 custodian banks have participated in the implementation.
 - ❑ Since the KRX system went into operation on 5 May 2025, the market has recorded an average of 6,000 non-prefunding transactions per day with a corresponding value of VND 1,400 billion; respectively increasing by 300% and 100% compared to the previous period.
 - ❑ Non-prefunding transactions currently account for 50% of foreign purchases.
 - ❑ Effective mechanism for handling failed transactions: Out of hundreds of thousands of non-prefunding orders, only 4 transactions failed and were all processed safely.
- The Government has made continuous efforts to improve the market through legal mechanisms. Circular No. 68/2024/TT-BTC (Cir68) and Circular No. 18/2025/TT-BTC on implementing non-prefunding solutions were issued. They played the most important role in FTSE's decision to upgrade Vietnam's stock market when addressing 2 criteria: Delivery vs Payment (DvP) and Failed Transactions and Processing.

Milestones

9/2018	Vietnam was added to the Watchlist for possible reclassification from Frontier market to Secondary Emerging market status
8/2022	Market applied T+2 settlement cycle
9/2024	Circular 68 solved the “pre-funding” issue and information disclosure
11/2024	Created the mechanism for establishing CCP entity
10/2025	FTSE Russell upgraded Vietnam to Secondary Emerging market status
3/2026	FTSE Russell will follow the progress of enabling access to global brokers.
9/2026	The reclassification will be effective subject to an interim review in March 2026

Opportunities and Challenges ahead

- However, FTSE Russell stated in the announcement: Vietnam's market will be classified as a secondary emerging market effective on Monday, 21 September 2026 based on the results of the mid-term review in March 2026. FTSE will follow the progress of enabling access to global brokers in the March 2026 review. According to FTSE, accessing to global investor will support foreign investment organizations with reliable trading partners (counterparties) to be able to replicate and trade FTSE indices. Vietnam will need to make efforts to complete the legal framework to allow international brokerage firms to operate in Vietnam for the upcoming review.
- The upgrade to emerging market will create a ripple effect. It sets stages for further improvements in legal, investment infrastructure, information disclosure and product offerings in the future. IPOs from large private companies and State-owned enterprises (SOEs) will be promoted by the potential of foreign capital flowing into the Vietnamese market.
- FTSE has two classifications for emerging market: secondary and advanced. Achieving secondary emerging market status will be a stepping stone to continue achieving advanced emerging market status in the future as the goal mentioned in Decision 2014/QD-TTg dated 12 September 2025.

FTSE Emerging market criteria		
Criteria	Advanced EM	Secondary EM
MARKET AND REGULATORY ENVIRONMENT		
Formal stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)	X	X
Fair and non-prejudicial treatment of minority shareholders	X	
No or selective incidence of foreign ownership restrictions	X	
No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	X	X
No or simple registration process for international investors	X	
FOREIGN EXCHANGE MARKET		
Developed foreign exchange market	X	
EQUITY MARKET		
Brokerage - Sufficient competition to ensure high quality broker services	X	X
Transaction costs - implicit and explicit costs to be reasonable and competitive	X	X
Tax – imposition of taxes to be reasonable, consistent in nature and comparable between domestic and non-domestic investors	X	
Efficient trading mechanism	X	
Transparency - market depth information / visibility and timely trade reporting process	X	X
CLEARING, SETTLEMENT AND CUSTODY		
Settlement - costs associated with failed trades	X	X
Settlement Cycle (DvP)	X	X
Central Securities Depository	X	X
Central Counterparty Clearing House (Equities)	X	

Source: FTSE Russel, SSV compilation

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Aiming further goals

Decision 2014/QD-TTg issued in September 2025 sets the target for the Vietnamese market to be upgraded by FTSE Russell in 2025. In addition, the decision also sets the target of upgrading from a frontier market to an emerging market according to MSCI's classification. Since the size of assets under management (AUM) tracking MSCI's indices is larger than the AUM tracking after FTSE Russell's indices, if upgraded by MSCI, the Vietnamese market will attract larger capital flows than from the FTSE Russell upgrade.

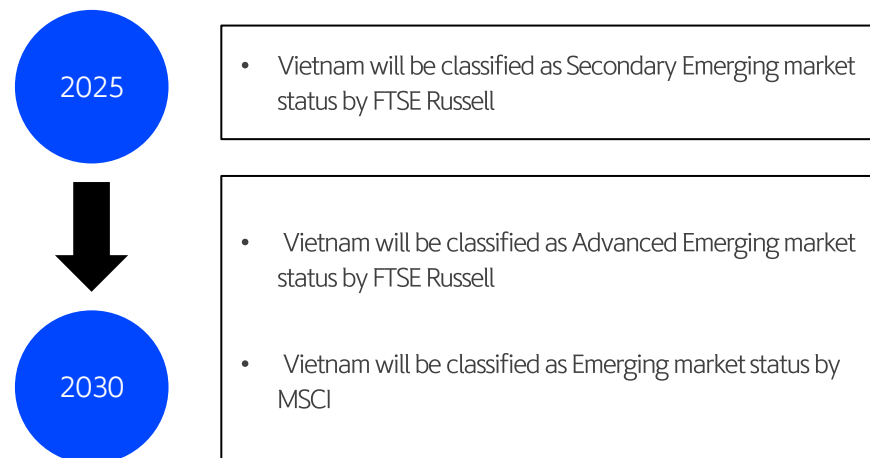
We see similarities in MSCI's assessment criteria between the Vietnamese market and China and India, which are classified as Emerging Markets. Therefore, according to the roadmap set out to improve the criteria that need to be classified according to Circular 68/TT-BTC and Decree 245/2025/ND-CP, Vietnam may be considered for MSCI reclassification in 2029-2030.

Aiming further targets

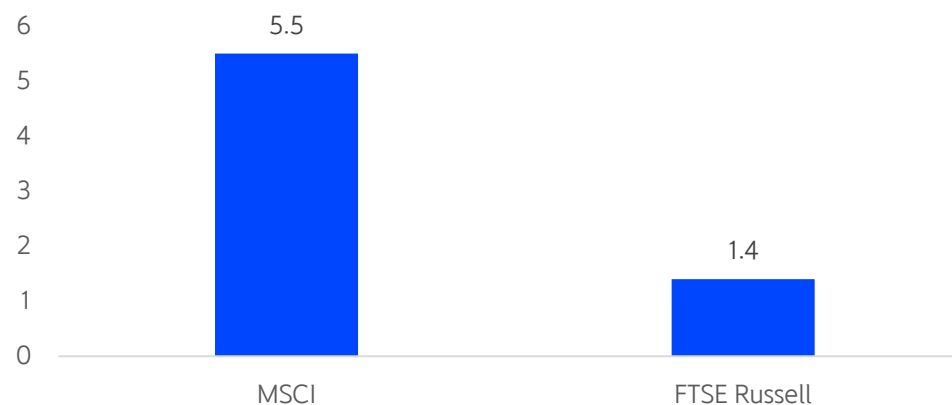
Decision 2014/QD-TTg

- On September 12, 2025, the Deputy Prime Minister signed Decision 2014/QD-TTg approving the Project to Upgrade the Vietnamese Stock Market with the goal of developing the capital market and integrating into the international economy.
- The Decision sets out a specific short-term goal: the Vietnamese Stock Market will fully meet the criteria for upgrading from a frontier market to a secondary emerging market by FTSE Russell in 2025 and maintain that status. In addition, in the long term, the market will meet the criteria for upgrading to an emerging market by MSCI and an advanced emerging market by FTSE Russell by 2030.
- With the upgrade by FTSE Russell, SSV estimates that the investment flow into Vietnam will reach about 4-7 billion USD from passive funds (ETFs) and active investment funds focusing on emerging markets.
- But if upgraded by MSCI, the capital flow into the Vietnamese market could be even larger because the size of investment funds tracking MSCI indexes is larger than FTSE Russell. The size of assets under management (AUM) following MSCI indexes is about 5.5 trillion USD (updated data on 30 June 2024), while the AUM of funds following FTSE Russell indexes is 1.4 trillion USD (31 December 2024).

Goal of Decision 2014/QD-TTg



AUM tracking MSCI and FTSE indices in 2024 (USD trillion)



Source: Decision 2014/QD-TTg, MSCI, FTSE Russell, SSV compilation

AUM tracking MSCI was updated on 30 June 2024 and FTSE on 31 December 2024

Aiming further targets

MSCI Emerging and Frontier market classification criteria

- MSCI is preferred by many investment funds rather than FTSE Russell because it has many multi-dimensional evaluation criteria. In addition to qualitative criteria like FTSE Russell, MSCI has quantitative criteria for market classification. The requirements for scale and liquidity have large differences between market classifications. The Vietnamese market has also met the criteria for scale and liquidity of the emerging market classification, but there are still some qualitative criteria that have not been met.
- Some criteria that Vietnam needs to improve to be upgraded to emerging market are: foreign room and foreign investor rights, information disclosure for foreign investors and the application of the central counterparty clearing model (CCP).
- Regarding the FOL limit and the room level for foreign investors, MSCI uses two thresholds of 10% and 1%. If more than 10% of listed stocks on the market are affected by FOL issues, MSCI will assess that the market needs improvement on this issue. And if more than 1% of stocks in the MSCI Vietnam IMI index are affected by low foreign room issues, MSCI will also assess that it needs improvement.
- The market being upgraded by FTSE Russell is expected to attract foreign capital, creating momentum to promote IPOs of large private companies and SOEs. The more large companies are listed, the foreign room issues can be resolved. Large securities companies such as TCBS and VPS listing in 2025 was the beginning.

MSCI criteria		
Criteria	Frontier Market	Emerging Market
SIZE AND LIQUIDITY REQUIREMENTS		
Number of companies meeting the following Standard Index criteria	1	2
- Company size (full market cap)	USD 126mn	USD 2548mn
- Security size (float market cap)	USD 63mn	USD 1274mn
- Security liquidity	2.5% ATVR	15% ATVR
MARKET ACCESSIBILITY CRITERIA		
Openness to foreign ownership	At least some	Significant
- Investor qualification requirement		
- Foreign ownership limit (FOL) level		
- Foreign room level		
- Equal rights to foreign investors		
Ease of capital inflows/ outflows	At least some	Significant
- Capital flow restriction level		
- Foreign exchange market liberalization level		
Efficiency of operational framework	Modest	Good and Tested
- Market entry		
o Investor registration & account		
- Market organization		
o Market regulations		
o Information flow		
- Market infrastructure		
o Clearing and Settlement		
o Custody		
o Registry/ Depository		
o Trading		
o Transferability		
o Stock lending		
o Short selling		
Availability of Investment Instrument	High	High
Stability of the institutional framework	Modest	Modest

Source: MSCI, SSV compilation

Aiming further targets

MSCI latest assessments in the 2025 report

- Below are assessments of Vietnam's criteria for improvement in the 2025 report:
 - FOL limits: Companies in some sectors are still subject to FOL limits ranging from 0 to 75%. These limits affect more than 10% of the market.
 - Foreign room: More than 1% of MSCI Vietnam IMI stocks are affected by low foreign room
 - Equal rights for foreign investors: Many companies do not have publicly available information in English. In addition, foreign investors' rights are limited.
 - Level of foreign exchange market liberalization: There is no offshore foreign exchange market and there are restrictions on the domestic foreign exchange market (e.g., foreign exchange transactions must be linked to securities transactions)
 - Information flow: There is no information available to investors in English and often not detailed enough.
 - Clearing and settlement: There is no overdraft service. Non-prefunding solutions take time to evaluate their effectiveness.

Criteria	Vietnam
MARKET ACCESSIBILITY CRITERIA	
Openness to foreign ownership	
- Investor qualification requirement	++
- Foreign ownership limit (FOL) level	-
- Foreign room level	-
- Equal rights to foreign investors	-
Ease of capital inflows/ outflows	
- Capital flow restriction level	++
- Foreign exchange market liberalization level	-
Efficiency of operational framework	
- Market entry ○ Investor registration & account	+
- Market organization ○ Market regulations ○ Information flow	+
- Market infrastructure ○ Clearing and Settlement ○ Custody ○ Registry/ Depository ○ Trading ○ Transferability	-
- Stock lending	++
- Short selling	++
Availability of Investment Instrument	++
Stability of the institutional framework	+

Source: MSCI, SSV compilation

++: no issues; +: no major issues, improvements possible; -: improvements needed

Aiming further targets

Roadmap for Upgrading

- According to MSCI's current classification, Vietnam is classified as a Frontier market while India, China, and China A(*) are classified as Emerging markets. The markets have similarities in the criteria assessment.
- The timeline for completing the new improvements according to the roadmap is all in 2027-2028. Therefore, if implemented correctly according to the roadmap, MSCI can evaluate the improvement efforts in 2029-2030 to classify Vietnam from a Frontier market to an Emerging market.
- Cir68 has proposed a roadmap for Vietnam to improve the criteria on equal rights for foreign investors and market information flow. The Circular has set a roadmap for all public companies to disclose information in English from 2028.
- Decree 245/2025/ND-CP (Dec. 245) also guarantees the rights of foreign shareholders. The Decree has abolished the regulation allowing public companies to decide on a maximum foreign ownership ratio lower than the level prescribed by law and international commitments.
- Dec. 245 also sets a deadline for applying the CCP model. The Decree clearly states: "No later than 31 December 2027, the clearing and settlement of securities transactions under the central clearing counterparty mechanism shall be implemented..."
- The application of the CCP model will be an important step to help the Vietnamese market get closer to being upgraded by MSCI. In the past, through the Stock Connect program, which connects the two exchanges of Hong Kong and Shanghai, China A was upgraded to an emerging market by MSCI. Foreign investors can buy stocks in Mainland China through brokers and clearing partners in Hong Kong and vice versa.

MSCI assessment of China, India and Vietnam market

Criteria	China	China A	India	Viet Nam
MARKET ACCESSIBILITY CRITERIA				
Openness to foreign ownership				
- Investor qualification requirement	++	+	+	++
- Foreign ownership limit (FOL) level	-	-	-	-
- Foreign room level	++	-	-	-
- Equal rights to foreign investors	+	+	+	-
Ease of capital inflows/ outflows				
- Capital flow restriction level	++	+	++	++
- Foreign exchange market liberalization level	++	+	-	-
Efficiency of operational framework				
- Market entry				
o Investor registration & account	++	+	-	+
- Market organization				
o Market regulations	+	+	+	+
o Information flow	++	+	++	-
- Market infrastructure	++	-	-	-
o Clearing and Settlement	++	++	++	++
o Custody	++	++	++	++
o Registry/ Depository	++	++	++	++
o Trading	++	-	-	+
o Transferability	++	-	++	-
o Stock lending	++	-	+	-
o Short selling	++	+	-	++
Availability of Investment Instrument	+	+	+	+

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2025 Stock Market Outlook

The VN-Index has witnessed one of its most remarkable rallies, reaching the milestone of 1,700 points. Upgrading to Secondary Emerging Market status by FTSE serves as a major catalyst for the market in late 2025, supporting the continued upward momentum of the index.

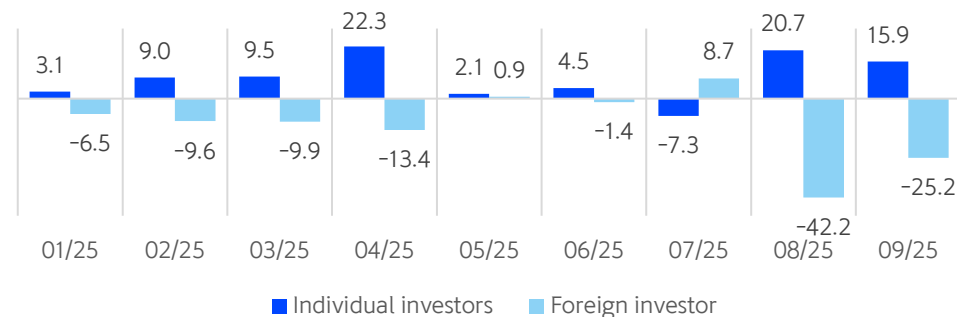
We project a base-case scenario for the VN-Index in the 1,700–1,800 point range, corresponding to a P/E ratio of around 14–15x, backed by several positive factors such as: upbeat investor sentiment following the upgrade, the solid fundamentals of the domestic economy, and the sustained earnings growth momentum of listed companies.

2025 Stock Market Outlook

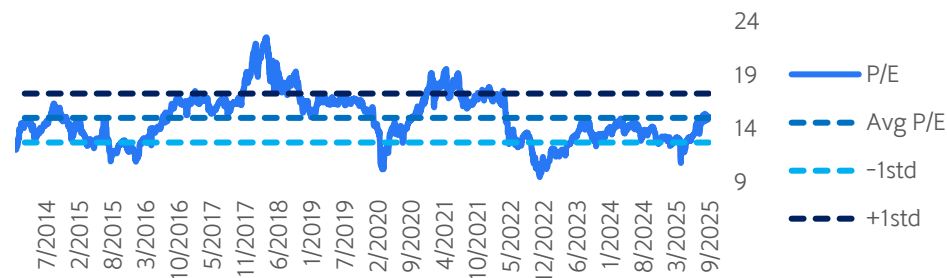
Market in the first 9 months of 2025

- In 9M2025, individual investors were the main net buyers and foreign investors were the main net sellers. Excluding the throughput value, the sector of real estate, banking and information technology were the most net sold in 9M2025 with values of VND 32.3 trillion, VND 19.3 trillion and VND 15.8 trillion, respectively.
- After a strong increase since April 2025, the market is currently trading in the 1,600 – 1,700 range. At this point, the market valuation has returned to the 10-year average with a P/E of about 15.x. This is a more reasonable valuation after the strong increase since April.
- The difference in market earning yield spread has narrowed compared to the beginning of the year, from 2.23% at the beginning of the year to 1.1%. We calculate the yield spread by taking the VnIndex earning yield (E/P) of VnIndex minus the highest 6–12 month term deposit interest rate.

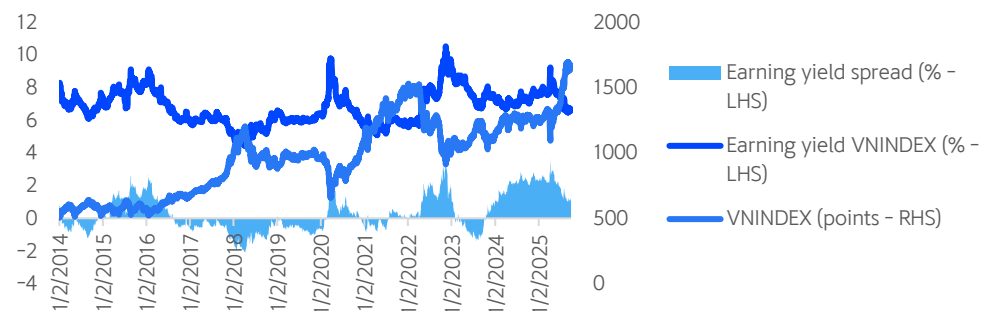
Net buying/selling activities of individual and foreign investors in 9M2025 (trillion VND)



P/E of VnIndex



Market earnings yield spread



Source: Fiinpro, Bloomberg, Shinhan Securities Vietnam compilation. Data was updated until 30/09/2025

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2025 Stock Market Outlook

Market scenario

- We project the market outlook as below:
 - VNINDEX reached 1,700 – 1,800 points
 - P/E at 14.x – 15.x; EPS 2025F growth at ~22% YoY
 - We expect the market to move toward the target range of 1,700–1,800 points in the context of the official market upgrade announcement by FTSE and continued optimism for growth in the second half of 2025.
 - Given the remaining macroeconomic risks, and our view that the upgrade serves as a catalyst rather than the sole or most important driver for market revaluation, we believe maintaining the current target P/E level, which is in line with the 10-year average, is appropriate.
 - Preferred sectors: Stocks that (1) benefit from foreign capital inflows following the market upgrade like HPG, MSN, VNM... with the large market capitalization and (2) have strong earnings growth prospects in the second half of 2025 like banks, securities.

Earnings yield (E/P) spread versus 6- to 12-month deposit interest rates

Highest 6- to 12M deposit interest rates	0.8%	1.0%	1.2%	1.5%
5.0%	17.2	16.7	16.1	15.4
5.20%	16.7	16.1	15.6	14.9
5.5%	15.9	15.4	14.9	14.3
5.8%	15.2	14.7	14.3	13.7
6.1%	14.5	14.1	13.7	13.2

VNINDEX projection based on P/E and listed companies' earnings growth

E/P	P/E	18%	20%	22%	24%	26%
8.7%	11.5	1,297	1,319	1,341	1,363	1,385
8.0%	12.5	1,410	1,434	1,458	1,482	1,506
7.4%	13.5	1,523	1,549	1,575	1,601	1,626
6.9%	14.5	1,636	1,664	1,691	1,719	1,747
6.7%	15.0	1,692	1,721	1,750	1,778	1,807
6.5%	15.5	1,749	1,778	1,808	1,838	1,867
6.3%	16.0	1,805	1,836	1,866	1,897	1,928
6.1%	16.5	1,862	1,893	1,925	1,956	1,988

Source: Fiiipro, Bloomberg, Shinhan Securities Vietnam compilation. Data was updated until 30/09/2025

2025 Stock Market Outlook

Technical View and Trading Strategy

- After a strong rally since April 2025, the market is currently trading within the 1,600–1,700 range. In the short term, we believe that a period of sideways movement with low liquidity and narrow fluctuations is necessary following a robust gain of more than 30% year-to-date. In the medium to long term, the 1,600–1,620 zone is acting as a key support level within the uptrend channel, corresponding to the 50-day moving average (MA50).
- Under the base-case scenario, the VN-Index is likely to move toward the target range of 1,700–1,800 points. We expect to see strong upward sessions accompanied by significantly improved liquidity — a clear signal that the consolidation phase has ended and a new bullish phase is coming. The main drivers include positive sentiment from the market upgrade, the solid fundamentals of the domestic economy, and the continued earnings growth of listed companies.
- Conversely, there remains a possibility that the market could undergo a deeper correction toward the 1,550–1,600 range before returning to the base-case target zone. The emergence of negative macroeconomic news, high-volatility sessions with large trading volumes, and a decisive break below 1,600 points would be clear indicators that a bearish scenario may be unfolding. However, we believe the probability of this downside scenario remains low.

VnIndex chart



Important Disclosure

Stock

-  **BUY:** Expected 12-month gain of 15% or more
-  **HOLD:** Expected 12-month loss of 15% to gain of 15%
-  **SELL:** Expected 12-month loss of 15% or more

Sector

-  **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY
-  **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD
-  **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL



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