

Strategic Insight

Wait for signals from global markets

Market rebounds after early-month correction

In Feb, the stock market experienced mixed and volatile movements, facing correction pressure in the early part of the month before quickly rebounding and regaining its upward momentum as buying demand returned. This development indicates that capital flows remain present in the market, while also reflecting gradually improving investor sentiment after a period of caution. The upward momentum was relatively broad-based across major indices and market-cap segments. Notably, capital flows tended to shift toward stocks with stronger growth potential, resulting in a certain degree of market differentiation.

The US-Israel-Iran conflict will come to a swift end

The US-Israel-Iran conflict is most likely to end in a negotiated settlement, potentially modeled on a "Venezuela scenario" involving a revised nuclear deal and oil concessions, though hardliners in Iran continue to obstruct diplomacy. For Vietnam, the primary impact would be indirect: higher energy and logistics costs, inflationary pressure, exchange rate volatility, and reduced FDI confidence. However, these effects are expected to be limited and short-term, as a near-term resolution remains the most probable outcome.

Market remains undervalued

Following a sharp correction in early Mar 2026, Vietnam's stock market has entered an attractive valuation zone, with 57% of watched stocks trading below intrinsic value and upside potential exceeding 15%. The selloff reflects geopolitical caution rather than weakening fundamentals, as corporate earnings grew roughly 33% in 2025. Real Estate, Banking, Construction, and Building Materials are among the most undervalued sectors.

Contents

I. Market rebounds after early-month correction	1
1. Demand returns.....	1
2. Liquidity slightly declines ahead of the Lunar New Year holiday.....	2
3. Foreign individual investors reverse to net selling	2
II. Awaiting bottom formation signals.....	3
1. US-Israel-Iran conflict.....	3
2. Key factors driving the market in the short term	5
3. Market patterns and cycles.....	6

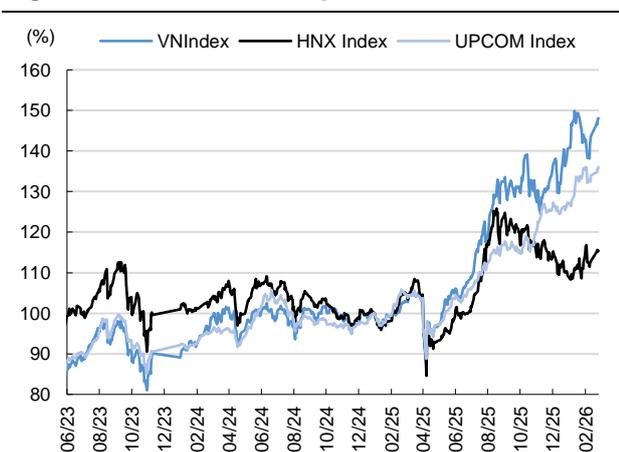
I. Market rebounds after early-month correction

1. Demand returns

The market's gains. At the beginning of Feb, the market continued to face selling pressure, extending the decline and keeping investor sentiment cautious. However, demand quickly returned, helping the index recover and regain its upward momentum in the second half of the month, thereby closing Feb at 1,880 pts. This development suggests that capital inflows remain present and are willing to enter the market at lower price levels, implying that the medium-term trend has not been disrupted. Across the major indices, VNIndex led the gains with an increase of 2.8% during the month, followed by HNXIndex rising 2.6%, while UPCOMIndex edged up 0.2% compared to the previous month. This reflects a relatively broad-based recovery, although the degree of momentum differed across exchanges.

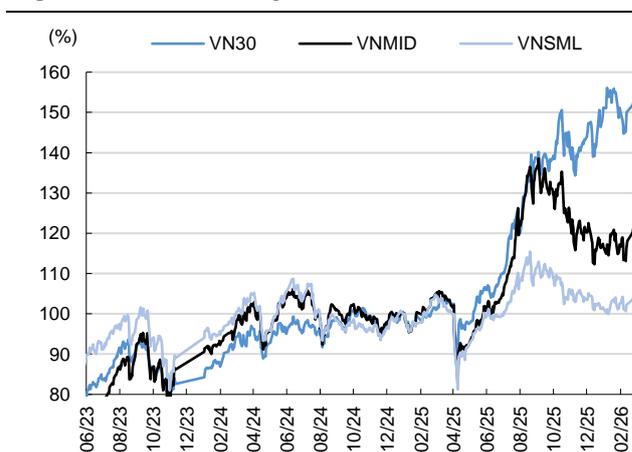
All three stock groups recorded positive performance. Mid-cap stocks (VN MID) recorded the strongest performance, rising 3.3% during the month, indicating that capital flows tended to seek opportunities among stocks with higher growth potential. This was followed by small-cap stocks (VNSML) and large-cap stocks (VN30), both posting gains of 1.6%. These developments partly reflect improving investor risk appetite, as capital flows not only concentrated in large-cap stocks but also spread to more flexible and growth-oriented segments.

Figure 1. Vietnam indexes performance



Source: FiinproX, KIS Research
Note: start of 01/25 = 100

Figure 2. Growth of key indexes of HOSE



Source: FiinproX, KIS Research
Note: start of 01/25 = 100

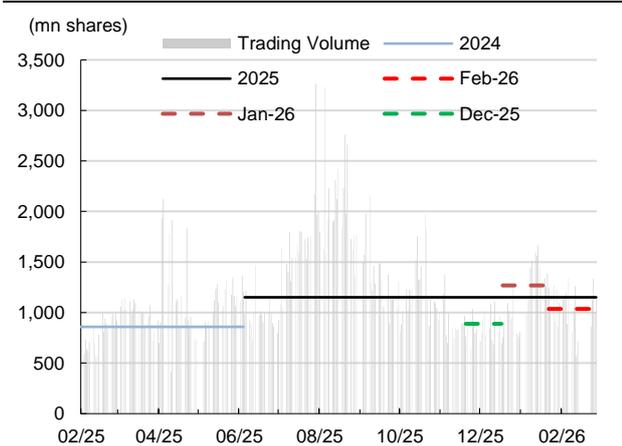
Overall, despite the correction in the early part of the month, the market demonstrated its ability to absorb selling pressure and recover relatively well. Improved investor sentiment and differentiated performance across market capitalizations suggest that the upward trend remains intact, while also raising expectations for further consolidation of the recovery momentum in the near term, provided that macroeconomic conditions and capital flows remain supportive.

2. Liquidity slightly declines ahead of the Lunar New Year holiday

Liquidity slightly declines. In Feb, overall market liquidity recorded a slight decline compared to the previous month, mainly due to the Lunar New Year holiday, which resulted in fewer trading sessions and a more cautious investor sentiment. Specifically, the average monthly trading volume and value reached approximately 1,036 mn shares/ VND31,823bn, respectively, representing declines of 18.3%/ 17.6% MoM. This decrease was largely seasonal in nature, as capital flows tend to temporarily slow during the extended holiday period rather than reflecting a significant weakening of market liquidity.

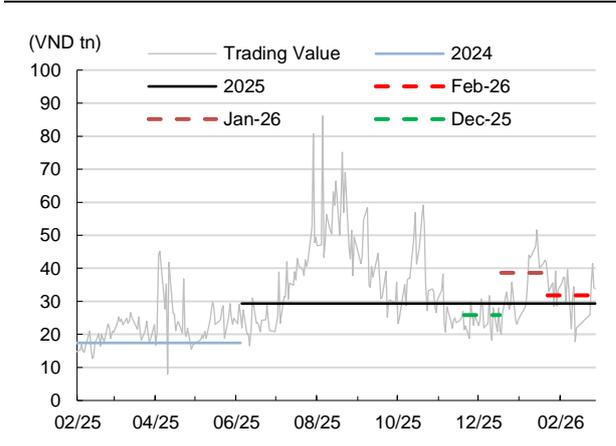
Overall, although liquidity adjusted compared to the previous month, the general level remained relatively high in the context of the early months of the year. This indicates that capital has not withdrawn from the market but has merely slowed temporarily due to timing factors.

Figure 3. Trading volume and Average volume in 2026



Source: FiinproX, KIS Research

Figure 4. Trading value and Average value in 2026



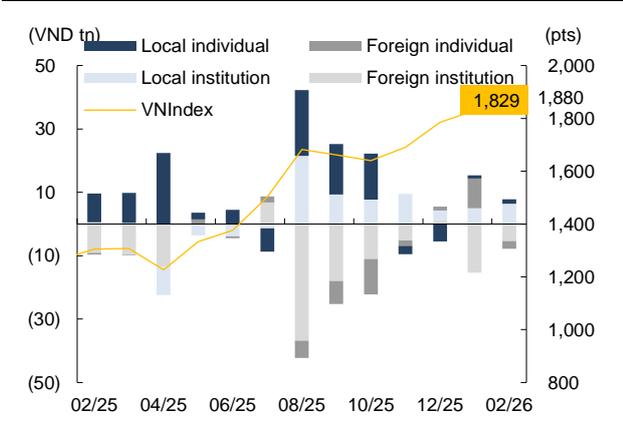
Source: FiinproX, KIS Research

3. Foreign individual investors reverse to net selling

Domestic individual investors continued their net buying trend. Domestic retail investors marking the second consecutive month of net inflows. Specifically, the total net inflow during the month reached VND1.4tn, representing a sharp increase of 45.9% compared to the previous month. Meanwhile, domestic institutional investors extended their net buying streak to seven consecutive months, with total net inflows amounting to VND6.3tn, up 29.4% month-over-month.

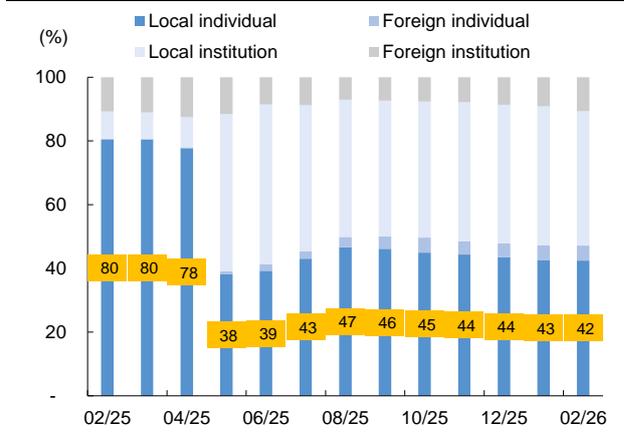
Selling pressure from foreign institutional investors eased. After two consecutive months of net buying, foreign individual investors reversed to net selling, with total net outflows reaching VND2.4tn. On the other hand, foreign institutional investors continued their net selling trend, with net outflow reached VND5.4tn; however, the selling pressure eased significantly, declining 64.6% compared to the previous month.

Figure 5. Monthly net value by investor groups



Source: FiinproX, KIS Research

Figure 6. Monthly trading activity by investor groups



Source: FiinproX, KIS Research

II. Awaiting bottom formation signals

1. US-Israel-Iran conflict

Escalating tensions in late Feb 2026. Tensions that had simmered for decades escalated sharply from mid-2025, when Israel launched a military campaign on Jun 13, 2025, targeting Iran over concerns that Tehran had accumulated enough uranium to build 15 nuclear warheads. After multiple rounds of negotiations failed to produce a nuclear deal, the U.S. directly entered the conflict on the night of Jun 22, 2025, conducting airstrikes on key nuclear facilities at Natanz, Fordow, and Isfahan. On Feb 28, 2026, the U.S.–Israel coalition launched a larger-scale operation, with preemptive strikes on Tehran and multiple strategic targets across Iranian territory. Iran responded with a series of ballistic missile attacks on U.S. military bases across the Middle East and imposed a blockade on the Strait of Hormuz.

Developments of the conflict. We expect four scenarios outline the possible trajectory of the current conflict (see table below). Of these, a negotiated settlement carries the highest probability. According to the Brookings Institution, the U.S.'s realistic objective remains a revised nuclear deal - modeled on a "Venezuela scenario" - combined with oil-related concessions, rather than outright regime change in Tehran. While Iran has signaled some willingness to engage, hardliners within the country have publicly rejected direct dialogue with Washington, leaving the diplomatic path riddled with obstacles.

The other three scenarios all carry serious risks. If the Iranian regime collapses, the Islamic Revolutionary Guard Corps (IRGC) could seize power and enforce an even more hardline policy, as the CFR has warned. Should the conflict spread to Gulf states - where tens of thousands of U.S. troops are stationed - additional parties could be drawn in. A prolonged war also poses a major political challenge for President Trump, as a large share of the American electorate has little appetite for an extended war of attrition in the Middle East - a strategic vulnerability that Washington cannot afford to ignore.

Table 1: Four scenarios for the evolving US-Israel-Iran conflict

Scenario	Key Developments	Expected Reactions & Impact
1. Negotiation & agreement	Trump pursues a "Venezuela-style scenario" (revised nuclear deal negotiations with oil concessions). Objective is regime change.	Iran: Has signaled openness to negotiations, however hardliners strongly oppose direct talks with the US.
2. Regime collapse or transition	Current regime collapses. The Islamic Revolutionary Guard Corps (IRGC) is likely to seize power.	Regional: The IRGC would implement more extreme and hardline policies, plunging the region into deeper instability.
3. Regional escalation	Iran activates its full proxy network across the region. Conflict spreads to Gulf states.	US: Tens of thousands of American troops stationed in the Gulf face direct threat. International: Additional actors are drawn into the conflict.
4. Protracted war	The conflict reaches no decisive resolution and drags on for months.	US: Creates a strategic vulnerability for Trump, as his voter base broadly opposes a prolonged military entanglement in the Middle East.

Source: KIS Research

Impact on Vietnam's economy. Escalating tensions in the Middle East will affect Vietnam's economy indirectly through energy markets. A disruption in oil supply would drive up energy prices, pushing up input costs across manufacturing, logistics, and goods distribution - and raising the risk of inflation. As an open, trade-dependent economy that relies heavily on imported raw materials, Vietnam has limited insulation from this kind of external shock.

Table 2. The impact of the US-Israel-Iran conflict on the Vietnamese economy

Scenario	Short-term (1-3 months)	Prolonged (3+ months)
Conditions	Conflict remains contained, no broader escalation	Regional escalation, supply
GDP Impact	-0.1 to -0.2 percentage points	-0.4 to -0.8 percentage points
Export Impact	-0.5% to -1.5%	-2% to -5%

Source: vietnam-briefing.com, KIS Research

At the same time, a stronger U.S. dollar would put pressure on the exchange rate and make international investors more cautious about capital deployment, weighing on both trade flows and FDI. The near-paralysis of shipping through the Strait of Hormuz would force maritime routes to take longer alternative paths, further increasing logistics costs. That said, these impacts on Vietnam's economy are assessed as limited and short-lived, given that the conflict is expected to reach a resolution in the near term.

Oil & Gas emerges as a key beneficiary. Conflicts in the Middle East create clear advantages for certain industries, particularly Oil & Gas and Fertilizers. As tensions escalate, crude oil prices rise sharply due to supply concerns, which directly benefits companies across the oil extraction and export chain through significantly improved profit margins. The Fertilizer sector also gains indirectly, as the Middle East serves as a major global export hub for fertilizers such as urea, DAP, and MAP - when supply from this region faces disruption, global fertilizer prices tend to rise, which creates favorable conditions for producers in other regions.

On the other hand, many industries face serious cost pressures. Aviation bears a dual impact from higher fuel costs and the closure of Middle Eastern airspace,

which forces airlines to extend flight routes and increase operating expenses. Logistics faces a similar squeeze, as rising fuel prices combine with surging insurance premiums driven by geopolitical risk. The result is elevated freight costs that place direct pressure on export activities - exporters not only pay more for shipping but also lose access to Middle Eastern markets, which serve as key trade partners for many countries.

2. Key factors driving the market in the short term

Vietnam set to clear FTSE mid-year review. The Vietnamese stock market stands at a historic milestone as it enters the FTSE Russell mid-year review in Mar 2026. The KRX system has operated with stability, with a T+2 settlement cycle that meets international standards, while the Non-Pre-Funding (NPF) mechanism has eliminated the 100% upfront margin requirement for foreign investors.

Most significantly, Circular 08/2026, effective Feb 3, 2026, marks a decisive legal breakthrough. It allows foreign institutions to trade through international brokers without opening a domestic account - a major step forward that satisfies one of FTSE's key criteria. With this in place, the Vietnamese stock market has now met all 9 required criteria for an upgrade to Secondary Emerging Market status. The market therefore has strong prospects for clearing the upcoming FTSE review.

Table 3. FTSE market quality criteria (watch list) as of Mar 2025

CRITERIA	SEC EW	FW	Vietnam (FM)
Market and Regulatory Environment			
• Formal stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)	x	x	Pass
• No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	x	x	Pass
Equity Market			
• Brokerage - Sufficient competition to ensure high quality broker services	x		Pass
• Transaction costs - implicit and explicit costs to be reasonable and competitive	x		Pass
• Transparency - market depth information / visibility and timely trade reporting process	x	x	Pass
Clearing, Settlement and Custody			
• Settlement - costs associated with failed trades	x	x	Restricted T+2
• Settlement Cycle (DvP)	x	x	Pass
• Central Securities Depository	x		Pass
• Custody - Sufficient competition to ensure high quality custodian services	x		Pass

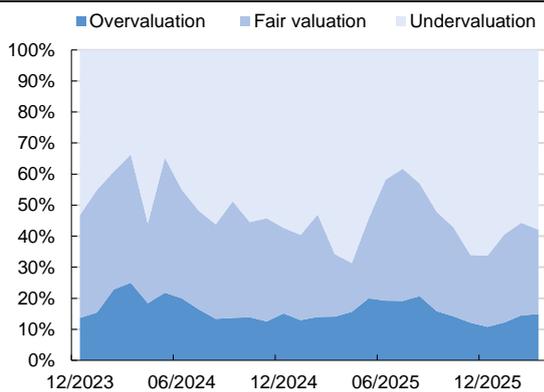
Source: FTSE Russell, KIS Research

Notes: FM: Frontier market, SEC EW: Secondary Emerging Watch, and FW: Frontier Watch

If the upgrade to Secondary Emerging Market is confirmed, with an expected effective date of Sep 21, 2026, Vietnamese equities will be included in four major indices: the FTSE Global All Cap, FTSE All-World, FTSE Emerging All Cap, and FTSE Emerging. Estimated passive fund inflows stand at approximately USD0.5bn - USD1bn, but the far greater impact will come from active capital flows - potentially 4 to 5 times the size of passive inflows.

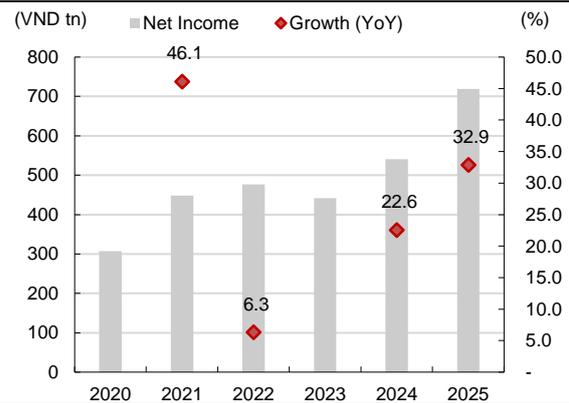
Market remains undervalued. Following a sharp correction in the early sessions of Mar 2026, the Vietnamese stock market has entered an attractive valuation zone. Currently, 57% of stocks on financial institutions' watchlists trade below their intrinsic value, with upside potential exceeding 15%. Many tickers have fallen 10% or more from their 2025 and early 2026 peaks, bringing valuations back to levels last seen in late 2024-early 2025. Corporate earnings growth of approximately 33% in 2025 confirmed the market's genuine appeal, even as share prices broadly advanced throughout that year.

Figure 7. Number of stocks currently undervalued



Source: Fidana.vn, KIS Research

Figure 8. Net Income growth in 2025



Source: FiinproX, KIS Research

Notably, the current correction does not stem from any deterioration in business fundamentals. It largely reflects short-term cautious sentiment, driven by investor concerns over geopolitical tensions in the Middle East. The most undervalued sectors include Real Estate, Banking, Construction, and Building Materials - all areas that stand to benefit directly from the public investment cycle and the market upgrade outlook. With corporate earnings on a continued upward trajectory, this may represent a strategic accumulation opportunity ahead of foreign capital inflows following the FTSE upgrade event in Sep 2026.

3. Market patterns and cycles

1-year and 3-year market cycles. The Vietnamese stock market operates within two primary cyclical timeframes: a 1-year cycle and a 3-year cycle. The trough recorded in Apr 2025 carries particular significance, as it represents a critical low for both cycles simultaneously. This Apr 2025 bottom marks the inception of the current 3-year cycle, which points to sustained growth over the coming years, with the cycle's ultimate low projected to fall somewhere between Oct 2027 and Oct 2028. Concurrently, this same bottom triggered the start of the 1-year cycle, whose terminal low is anticipated between Feb and Jun 2026.

Figure 9. Movement of 1-year cycle



Source: KIS Research

Sub-cycles within the 1-year framework. The 1-year cycle typically unfolds in two sequential sub-cycles, each spanning roughly five to seven months, with the 75-period daily moving average serving as the primary analytical tool to identify sub-cycle peaks and troughs. Evidence confirms that the first sub-cycle - which originated from the Apr 2025 low - has run its course, with its bottom officially established on Nov 10, 2025, when the VNIndex closed beneath the 75-period moving average. The market has since transitioned into the second sub-cycle, which is projected to reach its floor between Apr and Jun 2026. Notably, this trough will simultaneously represent the 1-year cycle bottom, after which the second 1-year cycle within the ninth 3-year cycle will commence - reinforcing the expectation of a continued bullish trend throughout the second half of 2026.

Table 4. Bottom and duration of 3-year cycle

No. of 3-year cycle	Start bottom	End bottom	Duration (Months)
I	10/24/2003	08/02/2006	33
II	08/02/2006	02/24/2009	30
III	02/24/2009	01/06/2012	34
IV	01/06/2012	12/17/2014	35
V	12/17/2014	07/11/2018	42
VI	07/11/2018	03/24/2020	20
VII	03/24/2020	11/15/2022	31
VIII	11/15/2022	09/04/2025	33
IX	09/04/2025	10/2027 -10/2028*	30-42*

*Expected period to form the 3-year cycle year
Source: KIS Research

Table 5. Bottom and duration of 1-year cycle

No. of 3-year cycle	No. of 1-year cycle	Start bottom	End bottom	Duration (Months)
V	13	12/17/2014	01/21/2016	13
	14	01/21/2016	12/06/2016	10
	15	12/06/2016	07/11/2018	19
VI	16	07/11/2018	01/03/2019	5
	17	01/03/2019	03/24/2020	14
VII	18	03/24/2020	07/19/2021	15
	19	07/19/2021	11/15/2022	15
	20	11/15/2022	10/31/2023	11
VIII	21	10/31/2023	11/19/2024	12*
	22	11/19/2024	09/04/2025	10
IX	23	09/04/2025	04/2026- 06/2026*	10-14*

*Expected period to form the 1-year cycle year
Source: KIS Research

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