

# Strategic Insight

## Attractive market valuation

### Market established a new all-time high

In May, the stock market maintained a positive tone as the benchmark index reached a new all-time high, reflecting improving investor sentiment and the continuation of growth momentum. However, increasing profit-taking pressure at elevated price levels led to greater volatility and market divergence toward the end of the month. The market's upward trend remained intact, although growth momentum showed signs of moderating and sector divergence became increasingly pronounced.

### Economic growth amid adversity

Macroeconomic data from May 2026 shows that the economy sustains its growth despite adverse global factors. For instance, the industrial sector expands as the PMI returns to 52.8. Additionally, strategic public investment in national infrastructure accelerates GDP growth and foundational industries. Ultimately, these combined factors enhance competitiveness and secure a foundation for sustainable economic development.

### Inflation concerns

Global inflation and high energy costs severely pressure Vietnam's economy and elevate the Consumer Price Index. Unprecedented production expenses compel businesses to raise prices. If international tensions persist, inflation might reach 7% by 2026. This situation directly threatens consumer confidence, policy flexibility, and overall macroeconomic stability.

### Compelling market valuation

Following the May 2026 correction, Vietnam's stock market offers compelling valuations. With 76% of tracked shares at cheap levels, the broadly undervalued market provides investors a safe, strategic opportunity for stock accumulation.

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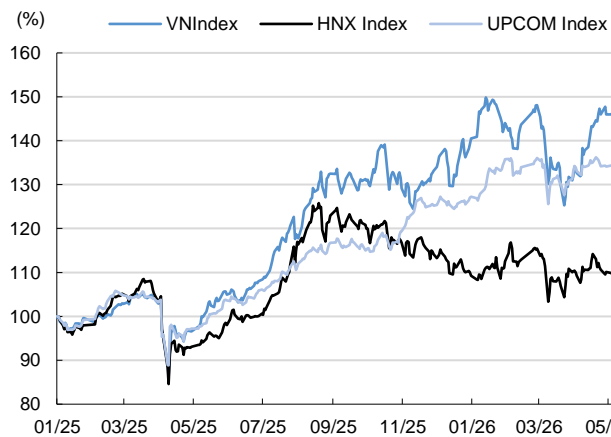
# I. Market established a new all-time high

## 1. Volatility emerged around elevated price levels in the second half of the month

**Reached a new record high.** In May, the stock market maintained a relatively positive performance as the VNIndex reached a new all-time high on May 14, closing at 1,925 pts. However, after surpassing this milestone, the market experienced increasing volatility and sector divergence toward the end of the month as profit-taking pressure intensified across various stock groups. By month-end, the VNIndex still managed to post a gain of 0.5% compared to the previous month. Meanwhile, the HNXIndex outperformed with a strong increase of 17.7%, while the UPCOMIndex moved in the opposite direction, declining 1.8% month-over-month.

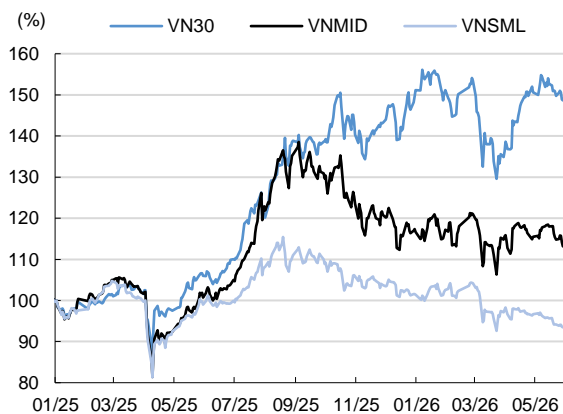
**All market-cap segments posted declines.** By market capitalization, performance was not broadly synchronized across stock groups. Small-cap stocks (VNSML) recorded the sharpest decline, falling 3.3% from the previous month. Mid-cap stocks (VN MID) followed with a 2.0% decline, reflecting weaker capital flows into more speculative and growth-oriented stocks. Meanwhile, large-cap stocks (VN30) also declined by 1.3%, suggesting that corrective pressure had extended to market-leading names as well.

**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, the market remained resilient in May as the VNIndex established a new record high and maintained a monthly gain. Nevertheless, increasingly pronounced volatility toward the end of the month, coupled with weakness across capitalization-based indices, suggests that market momentum has started to slow. This reflects growing investor caution as the market advances into higher valuation territory and implies that the short-term trend may enter a period of consolidation and stronger divergence before a new growth catalyst emerges.

## 2. Divergence across sectors became more apparent

**Growth momentum in large-cap sectors has moderated.** In May, sector performance became increasingly differentiated, although the overall magnitude of corrections remained relatively modest. Among major market-cap sectors, Banking continued its positive trajectory, extending its rally for a second consecutive month with a gain of 1.8%, thereby remaining one of the market's key supporting pillars. In contrast, the Real Estate sector showed signs of losing momentum after its strong rally in previous months, posting only a modest gain of 0.1% during the month. Similarly, the Brokerage sector recorded a cautious performance with a marginal increase of 0.2%.

**Capital has been selectively concentrated in specific sectors and stocks.** Within non-financial sectors, capital flows were more selectively concentrated in a few standout industries. Capital Goods led the market with an impressive gain of 37.1%, making it the best-performing sector of the month. It was followed by Software & Services and Utilities, which advanced 16.1% and 9.8%, respectively, indicating that investor demand remained strong in sectors supported by distinct growth narratives. On the other hand, several sectors underperformed amid correction pressure, including Retail, which declined 9.1%, and Healthcare Equipment & Services, which fell 8.2% compared to the previous month.

**Table 1: Indices and Sectors performance**

No.	Indices/ Sectors	Market Cap (VND tn)	Market Cap Weight (%)	Growth Rate by Month in 2026							2026 YTD
				May	Apr	Mar	Feb	Jan	Dec	Nov	
<b>a. Market Indices</b>											
1	VNINDEX	7341.1	85.8	0.5	10.7	(10.9)	2.8	4.5	5.5	3.1	4.2
2	HNX Index	376.7	4.4	17.7	(0.1)	(4.5)	2.6	(3.6)	(4.3)	(2.2)	19.5
3	UPCOM Index	837.6	9.8	(1.8)	0.8	(2.2)	0.2	1.5	1.7	4.9	3.8
4	VN30 Index	5119.4	59.8	(1.3)	10.6	(11.3)	1.6	4.5	5.5	2.0	(1.6)
<b>b. Sectors</b>											
1	Banks	2700.0	31.6	1.8	2.7	(9.2)	(1.6)	2.6	2.8	(2.0)	3.4
2	Others	815.0	9.5	(0.1)	(0.9)	(0.4)	0.9	1.1	1.7	0.7	12.1
3	Real Estate	2531.5	29.6	0.1	45.5	(14.4)	12.5	14.5	19.7	19.7	16.7
4	Materials	507.9	5.9	(2.0)	1.7	(10.1)	5.5	(2.6)	(2.7)	(2.3)	10.4
5	Food & Beverage	469.7	5.5	(2.1)	(0.4)	(4.4)	(5.1)	0.1	(0.3)	2.1	(9.1)
6	Utilities	372.4	4.4	9.8	(3.2)	(18.0)	(2.7)	11.8	8.1	1.5	9.0
7	Capital Goods	422.1	4.9	37.1	(3.1)	0.4	2.5	0.2	1.0	1.4	35.3
8	Financial Services	551.0	6.4	0.2	0.4	(9.6)	6.7	(0.3)	(0.7)	(3.5)	1.8
9	Transportation	343.5	4.0	(4.0)	6.2	(10.8)	5.1	(5.5)	(5.1)	(0.0)	(6.2)
10	Energy	220.5	2.6	16.1	(11.0)	(14.8)	23.2	4.8	3.9	(1.5)	50.2
11	Software & Services	175.9	2.1	(5.1)	0.8	(19.3)	(10.7)	(0.6)	(1.3)	(6.6)	(24.1)
12	Retailing	171.7	2.0	(9.1)	1.1	(9.9)	0.9	7.8	7.7	(3.1)	(10.7)
13	Insurance	97.7	1.1	(1.8)	(9.5)	(0.6)	9.3	9.9	6.0	4.4	7.3
14	Consumer Durables	60.7	0.7	(3.2)	(4.5)	(9.4)	0.1	2.0	2.0	(2.5)	(0.7)
15	Pharmaceuticals	47.4	0.6	(2.8)	(2.9)	(1.5)	0.5	2.5	3.2	(0.4)	(4.2)
16	Technology	11.3	0.1	(5.7)	(3.2)	(9.5)	3.7	(7.7)	(8.9)	9.1	(1.3)
17	Commercial Services	10.1	0.1	(1.0)	1.9	(8.5)	2.2	(2.5)	(2.6)	(0.1)	(5.1)
18	Automobiles	7.8	0.1	(0.3)	(2.9)	0.3	0.9	(2.9)	(2.5)	3.2	(3.8)
19	Consumer Services	182.0	2.1	9.4	2.7	(0.3)	(9.5)	(4.0)	(0.7)	22.7	(6.1)
20	Household Products	4.1	0.0	(4.8)	(4.4)	(7.4)	(0.9)	(0.9)	(1.4)	1.6	(10.1)
21	Health Care	3.1	0.0	(8.2)	(2.2)	(14.2)	(3.9)	(2.0)	(2.5)	(9.7)	(22.2)
22	Media & Entertainment	4.0	0.0	(0.4)	(4.1)	(14.9)	(0.1)	2.4	1.5	(4.1)	(17.1)
23	Telecommunication	2.4	0.0	(2.0)	(3.2)	(1.3)	5.3	(0.3)	0.0	(3.3)	(7.4)

Source: Bloomberg, KIS Research

Note: Classification according to GICS with Level II: Industry Group; and Based on statistics of all listed shares on 3 exchanges, HOSE, HNX, and UPCOM

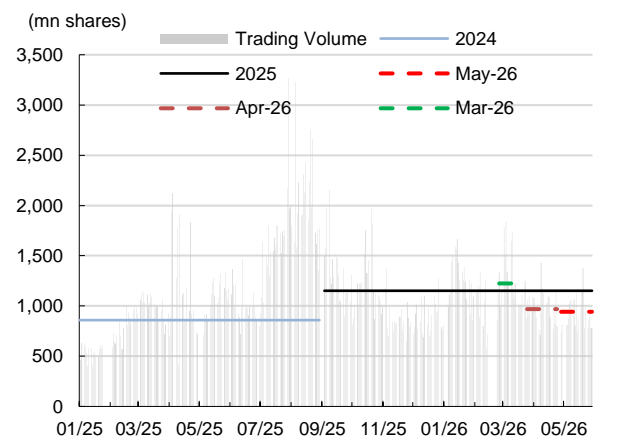
Overall, May highlighted a clear divergence across sectors as capital flows became increasingly selective rather than broadly distributed. While large-cap sectors such as Banking continued to provide support for the market, the loss of momentum in Real Estate and Brokerage suggests that market growth drivers have weakened compared to earlier periods. In this environment, stock selection based on individual investment themes and earnings prospects

remains the dominant strategy, reflecting a more cautious and selective investor mindset as the market trades near record-high levels.

### 3. Liquidity lost momentum

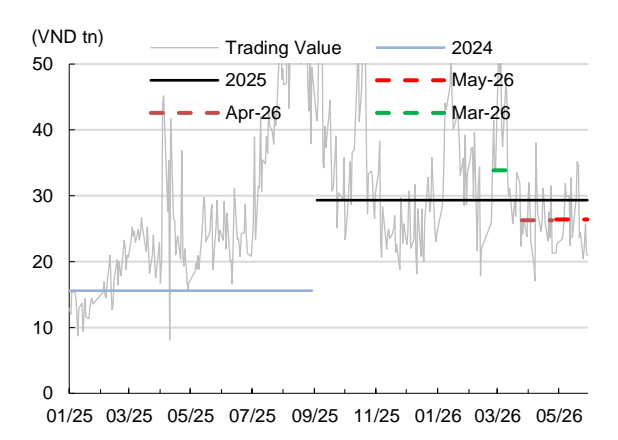
**Market liquidity has decreased for three consecutive months.** In May, market liquidity showed little change compared to the previous month. Specifically, the average monthly trading volume and value reached 968 million shares/VND26,275bn, down 2.8% / up 0.5% MoM. This development suggests that capital flows remained somewhat cautious, as liquidity recorded its third consecutive month of decline.

**Figure 3. Trading volume and Average volume in 2026**



Source: FiinproX, KIS Research

**Figure 4. Trading value and Average value in 2026**

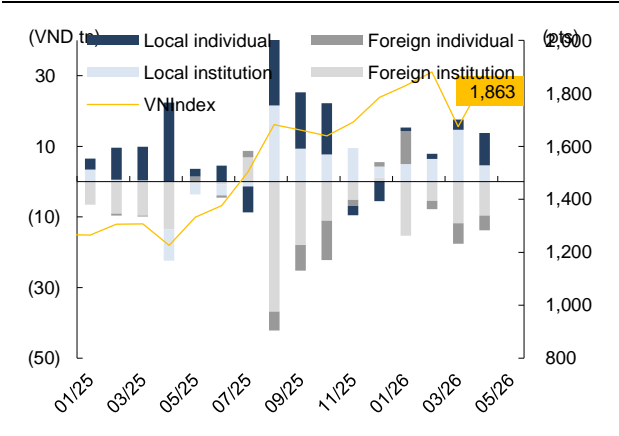


Source: FiinproX, KIS Research

### 4. Domestic retail investors continued to buy aggressively

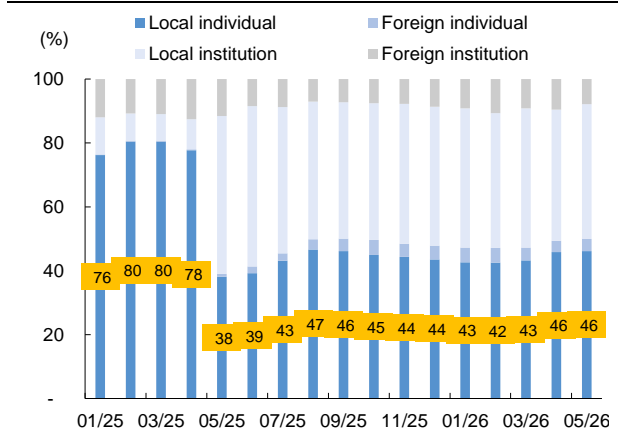
**Domestic retail investors increased net buying activity.** Domestic retail investors recorded strong net buying activity during the month. Specifically, total net inflows reached VND15.0tn, representing a significant increase of 64.4% compared to the previous month. Meanwhile, domestic institutional investors also remained net buyers, although their activity moderated slightly. Total net inflows amounted to approximately VND4.2tn, down 6.7% month-over-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

**Foreign institutional investors continued to sell.** During the month, both foreign retail and foreign institutional investors remained net sellers. Total net outflows reached VND7.2tn and VND12.0tn, respectively, representing increases of 74.8% and 25.9% compared to the previous month.

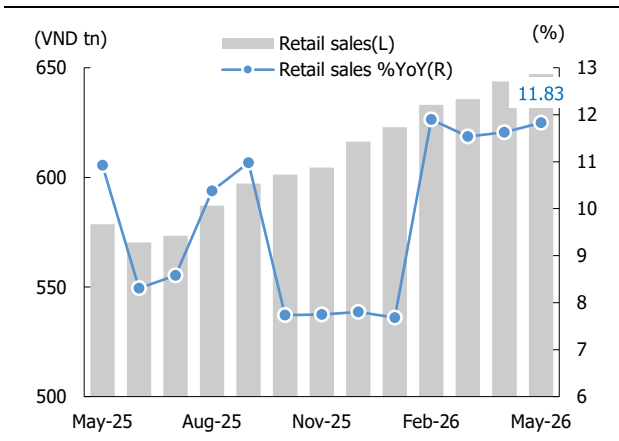
## II. Attractive market valuation over two years

### 1. Economic growth amid adversity

**The economy maintains growth momentum.** Despite global challenges, Vietnam's economy in May 2026 maintained considerable internal resilience through several notable bright spots. The most positive aspect is the ability to attract Foreign Direct Investment (FDI), as newly registered capital in the first five months surged by 111.40% YoY. This reflects the solid confidence of international investors in the domestic business environment. Furthermore, industrial production continued to expand as the IIP increased by 8.8%, while the PMI reached 52.8 points due to a clear improvement from new orders after months of pressure.

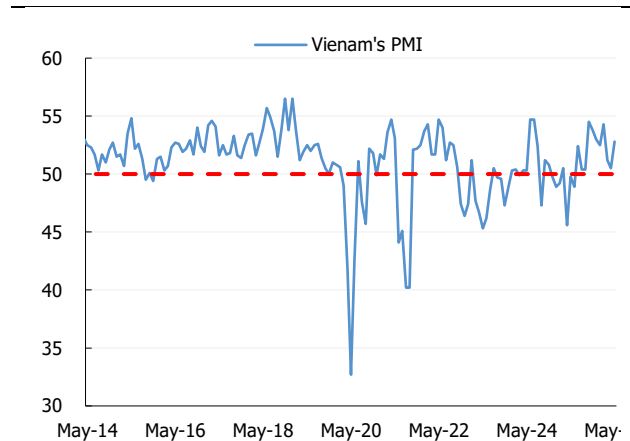
On the consumer side, total retail sales maintained a good growth rate at 11.83%. The main driver came from the boom in travel and accommodation services at the start of the summer tourist season, combined with international arrivals that kept an impressive upward trend of 1.8 million visits.

**Figure 7. Monthly retail sales**



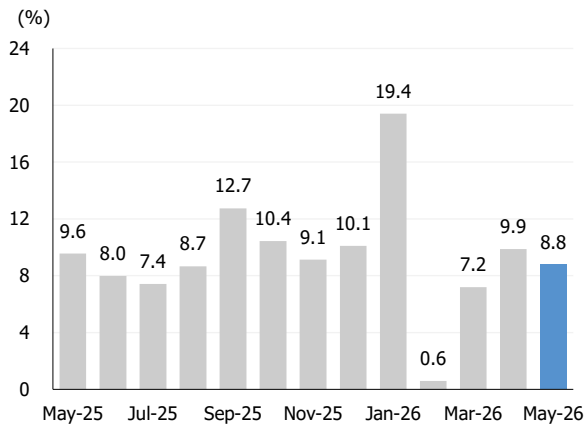
Source: NSO, KIS Research

**Figure 8. Vietnam's monthly PMI**



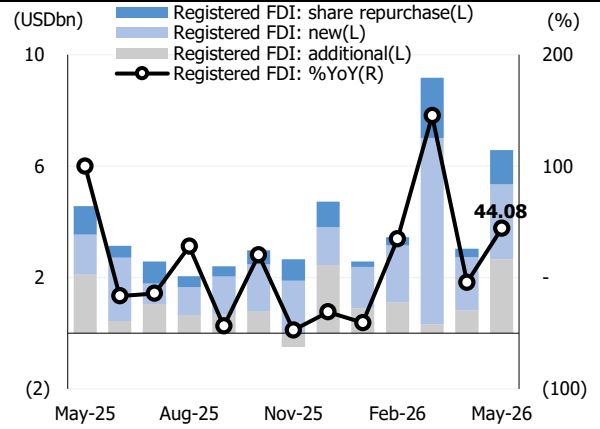
Source: NSO, KIS Research

**Figure 9. IIP % YoY by month**



Source: NSO, KIS Research

**Figure 10. Monthly registered FDI**

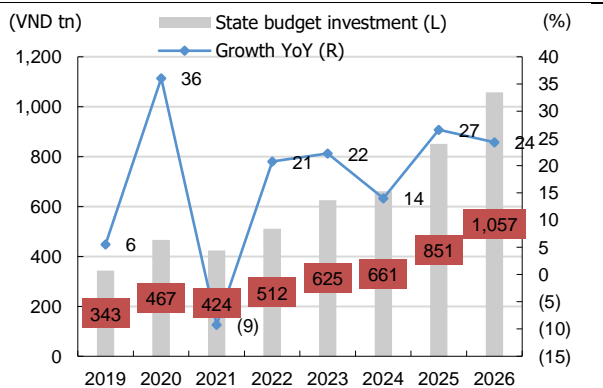


Source: NSO, KIS Research

**Public investment will drive the economy in the long term.** As the economy faces various fluctuations, the government's push for public investment disbursement becomes the spearhead and leading growth driver for Vietnam. Accordingly, realized investment capital from the State budget in the first five months increased by 11.2% compared to the previous year. The focus of this strategy lies in a series of large-scale, strategic infrastructure development projects nationwide, including the expressway system, seaport networks, and key airports.

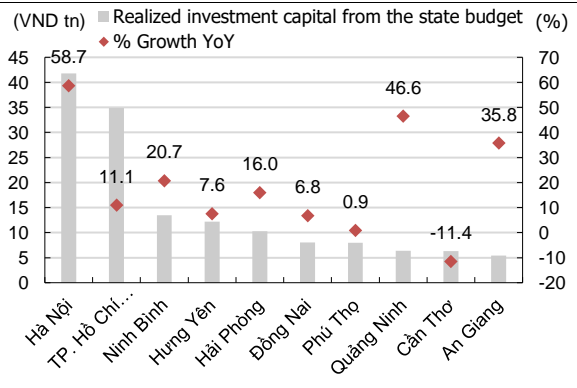
The massive capital influx into these projects creates a direct "boost" for GDP growth as it strongly stimulates demand in foundational industries such as construction materials, iron, steel, and logistics. At the same time, this process directly solves the employment issue; thereby, it indirectly supports incomes and boosts the purchasing power of the domestic consumer market. More importantly, in the long term, a synchronized and modern infrastructure system will completely remove bottlenecks in transportation costs and enhance national competitiveness. Consequently, public investment not only acts as "seed capital" to stimulate private investment but also strengthens the appeal for FDI inflows. This creates a solid launchpad for the economy to break through sustainably.

**Figure 11. Realized investment capital from the state budget**



Source: NSO, KIS Research

**Figure 12. State budget investment capital across provincial regions**



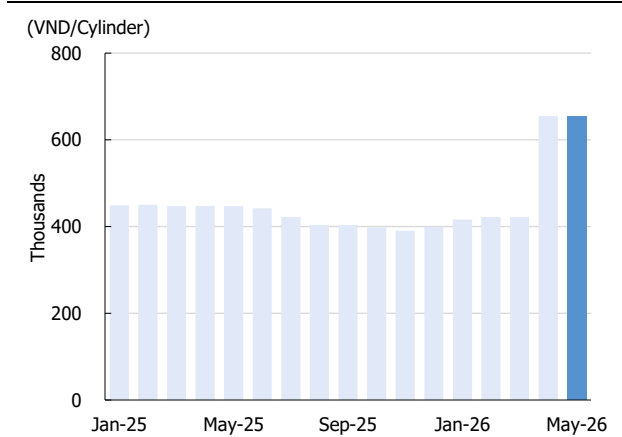
Source: NSO, KIS Research

## 2. Inflation concerns

**Vietnam's economy currently faces significant pressure from global inflation and higher energy prices.** Prolonged geopolitical conflicts in the Middle East have driven up fuel and transport costs. This directly impacts the supply chain of a nation that relies heavily on imported energy. As a result, Vietnam's Consumer Price Index (CPI) in May increased by 5.6% YoY. This pushed the average inflation rate for the first five months to 4.31%.

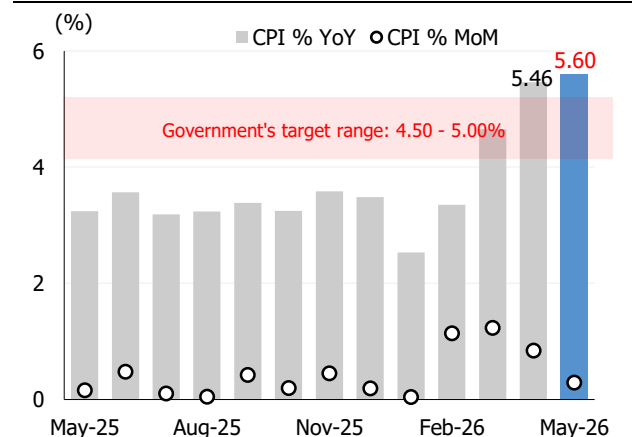
This pressure expands visibly as input costs in the production sector register their fastest growth since Apr 2011. This situation forces enterprises to raise their prices at the fastest rate in almost 15 years. Of greater concern, if the international situation fails to improve, the CPI might reach 7% or higher by the end of 2026. This burden not only depresses consumer sentiment but also severely limits the flexibility of fiscal and monetary policies. Ultimately, it directly threatens macroeconomic stability and the ambitious economic growth targets of the country.

**Figure 13. Vietnam domestic gasoline price**



Source: Bloomberg, KIS Research

**Figure 14. CPI and government's target**



Source: Bloomberg, KIS Research

## 3. Compelling market valuation

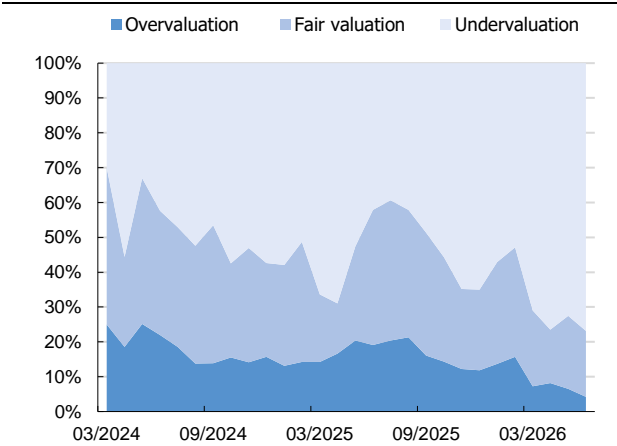
After the market correction in May 2026, the Vietnamese stock market currently shows an extremely attractive valuation. Specifically, the overall trailing P/E ratio dropped sharply from 13x to just 12x. This figure sits significantly lower than the forward P/E, which peaked at 16x in early 2026. Note that Vin group stocks, such as VIC, VHM, VRE, and VPL, currently inflate this present P/E level. Accordingly, these Vin group stocks grew strongly recently and now account for up to 27% of the total market capitalization.

Furthermore, when we examine the broader market valuation picture, we observe that approximately 76% of stocks tracked and analyzed by financial institutions trade at very cheap price levels. Notably, the current general valuation level stands at the lowest point recorded in the past two years.

From the data above, we have a solid basis to conclude that the stock market remains undervalued compared to its intrinsic value based on fundamental

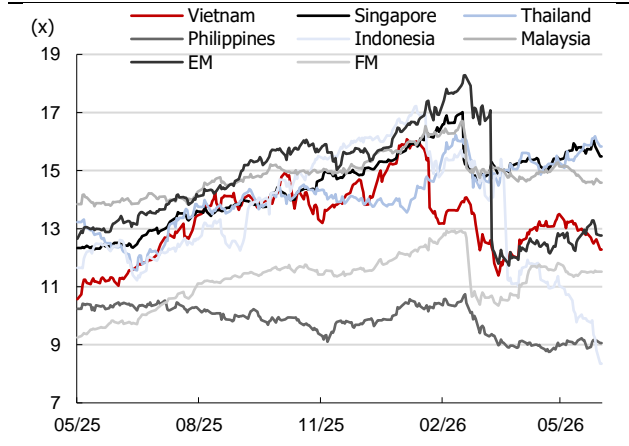
factors. The current discount zone provides a high margin of safety and opens a strategic opportunity for investors to consider stock accumulation for a new growth cycle.

**Figure 15. Number of stocks currently undervalued**



Source: Fidana.vn, KIS Research

**Figure 16. Vietnam PE forward**



Source: Bloomberg, KIS Research

#### 4. The second 1-year cycle

The Vietnamese stock market is driven by two main cyclical trends: a short-term 1-year cycle and a longer-term 3-year cycle. The significant market low in Apr 2025 marked a crucial turning point, acting as the foundation for both cycles simultaneously. This bottom sparked the current 3-year cycle, pointing to sustained long-term market growth, with its final trough projected to occur between Oct 2027 and Oct 2028.

**Figure 17. Movement of 1-year cycle**



Source: KIS Research

Recently, the VNIndex broke above its 125-period moving average. This technical breakout confirms that the low on Mar 23, 2026, marked the end of the initial 1-year cycle (which ran from Apr 2025 to Mar 2026). Consequently, the market has officially entered its second 1-year cycle.

Based on the start of this new cycle, our projections are as follows:

- Near-term uptrend: The current rally originating from the Mar 2026 low should continue until at least Sep 2026, when a new cycle peak is expected to form.
- Long-term peak: The broader 3-year cycle may also reach its peak starting from Sep 2026 onward.
- Next cycle bottom: The trough concluding this second 1-year cycle is anticipated to fall between Jan and May 2027.

Based on the closing data on Jun 9, 2026, the VNIndex closed back below its 125-period moving average. This indicates that the peak formed in early May 2026 might be the top of the current 1-year cycle. However, this peak appeared quite early, within just two months after the market established its bottom in Mar 2026. This timeline contradicts historical statistics on peak and trough formations from previous 1-year cycles. Therefore, we maintain our forecast that the uptrend will last until at least Sep. The current correction will end quickly and reverse.

**Table 2. 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 3. 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
VIII	20	11/15/2022	10/31/2023	11
	21	10/31/2023	11/19/2024	12
	22	11/19/2024	09/04/2025	10
IX	23	09/04/2025	23/03/2026	11
	24	23/03/2025	01/2027- 05/2027*	10-14*

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

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