true friend KIS Viet Nam Securities Corporation

Strategy
Monthly

10 Aug 2026

Strategic Insight

The right time to buy?

Forming a new bottom?

In Jul, the stock market experienced a highly volatile trading month as profit-taking pressure intensified following a strong rally, accompanied by margin-call selling and cautious investor sentiment. In addition, the correction spread broadly across the market, affecting most stocks and sectors, with mid- and small-cap stocks and sectors experiencing more pronounced declines than their large-cap counterparts.

Macro tailwinds

Jul 2026 data point to solid domestic momentum: industrial production rose 14.5% YoY, the PMI reached 52.8 and retail sales grew 14.5%, while low inflation and a stable currency keep policy accommodative - supportive of banks and leveraged firms. External risks temper the outlook, however, as the trade deficit widened to USD3.59bn, the export slowdown broadened, and a new 12.5% Section 301 tariff threatens exporters.

The likelihood of a fed rate hike

We expect the Fed to raise rates by 0.25% across the three remaining 2026 meetings, given five years of above-target inflation, a resilient economy, and Middle East energy risks. Three channels would transmit this to Vietnam: (1) a wider VND-USD rate gap pressuring the exchange rate and capital flows; (2) limited room for domestic easing; and (3) higher Treasury yields compressing equity valuations despite solid earnings.

Staged capital deployment strategy

Following the VNIndex's 3%-plus drop on 22 Jul 2026, we reviewed all 84 comparable sessions since 2010. History favors recovery as win rates exceed 70% beyond two months, with returns strengthening over longer horizons. The two-week window is weaker, however, at a 54.2% win rate, as sharp declines tend to cluster. We therefore suggest deploying capital in phases across several sessions rather than just on the first down day, holding for two to three months.

Contents

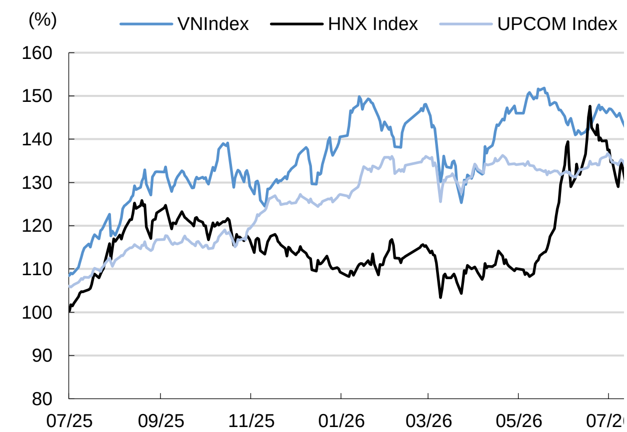
I. Forming a new bottom?

1. Broad-based selling pressure

Sharp correction. The stock market underwent a significant correction in Jul 2026 following the strong rally in the previous period. Intensifying profit-taking pressure, coupled with margin-call selling driven by elevated margin debt, caused investor sentiment to turn increasingly cautious and triggered widespread selling across the market. In addition, the announcement of new U.S. tariff policies targeting multiple economies further heightened market concerns, contributing to sharp short-term volatility (most notably on Jul 22, 2026, when the VNIndex fell by nearly 3.6%). By month-end, the VNIndex had declined by 12.1%, while the HNXIndex posted the steepest loss at 13.4% and the UPCOMIndex fell by 2.6%.

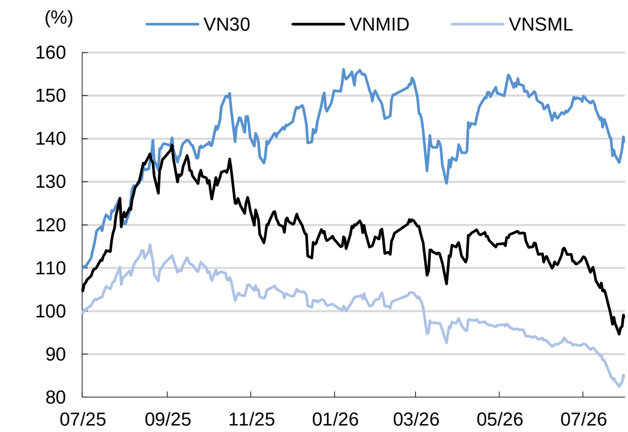
Correction pressure remained elevated. By market capitalization, mid-cap stocks experienced the sharpest correction in Jul 2026, declining by 12.1%. Small-cap stocks also recorded a notable decline of 8.2%, while large-cap stocks proved relatively more resilient, falling by 6.2%, as capital continued to favor companies with solid fundamentals and stronger resilience amid heightened market volatility.

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 stock market experienced a highly volatile month in Jul, with persistent profit-taking pressure throughout the period, alongside margin-call selling and cautious investor sentiment. Moreover, the correction was broad-based across most stock groups, with mid- and small-cap stocks being affected more significantly than large-cap stocks.

2. Broad-based correction across sectors

Selling pressure spread across most sectors. In Jul 2026, the majority of sectors posted declines as profit-taking pressure and cautious investor sentiment weighed on market performance. Defying the broader trend, the Food & Beverage sector was the only sector to remain in positive territory, posting a modest gain of 0.2%. Among the smaller-cap sectors, the correction was more pronounced, with Telecommunication recording the steepest decline of 28.5%, followed by Consumer Durables and Media & Entertainment, which fell 26.3% and 17.7%, respectively.

Large-cap sectors showed mixed performance but remained under pressure. Among the major large-cap sectors, Materials recorded the largest decline of the month, falling 9.9%, while the Banking sector also came under notable selling pressure, declining 7.7% from the previous month. In contrast, the Real Estate sector was relatively more resilient, posting a smaller decline of 3.7%, outperforming the other two large-cap sectors.

Table 1: Indices and Sectors performance

No.	Indices/ Sectors	Market Cap (VND tn)	Market Cap Weight (%)	Growth Rate by Month in 2026							2026 YTD
				Jul	Jun	May	Apr	Mar	Feb	Jan	
	a. Market Indicies										
1	VNINDEX	7341.1	85.8	(6.7)	(0.2)	0.5	10.7	(10.9)	2.8	4.5	(2.9)
2	HNX Index	376.7	4.4	(13.4)	6.2	17.7	(0.1)	(4.5)	2.6	(3.6)	9.9
3	UPCOM Index	837.6	9.8	(2.6)	3.8	(1.8)	0.8	(2.2)	0.2	1.5	5.0
4	VN30 Index	5119.4	59.8	(6.2)	(0.1)	(1.3)	10.6	(11.3)	1.6	4.5	(7.7)
	b. Sectors										
1	Banks	2700.0	31.6	(7.7)	2.0	1.9	2.7	(9.2)	(1.6)	2.6	(2.2)
2	Others	815.0	9.5	(2.4)	4.4	(0.3)	(0.9)	(0.4)	0.9	1.1	11.9
3	Real Estate	2531.5	29.6	(3.7)	0.9	0.1	45.5	(14.4)	12.5	14.5	14.8
4	Materials	507.9	5.9	(9.9)	(3.3)	(2.2)	1.7	(10.1)	5.5	(2.6)	(5.2)
5	Food & Berverage	469.7	5.5	0.2	(1.8)	(2.1)	(0.4)	(4.4)	(5.1)	0.1	(11.4)
6	Utilities	372.4	4.4	(7.3)	(4.9)	9.1	(3.2)	(18.0)	(2.7)	11.8	(4.6)
7	Capital Goods	422.1	4.9	(15.2)	4.4	48.5	(3.1)	0.4	2.5	0.2	35.2
8	Financial Services	551.0	6.4	(9.1)	2.1	0.1	0.4	(9.6)	6.7	(0.3)	(4.5)
9	Transportation	343.5	4.0	(6.8)	3.5	(3.9)	6.2	(10.8)	5.1	(5.5)	(9.3)
10	Energy	220.5	2.6	(0.8)	(12.1)	15.9	(11.0)	(14.8)	23.2	4.8	29.6
11	Software & Services	175.9	2.1	(4.8)	(1.7)	(5.1)	0.8	(19.3)	(10.7)	(0.6)	(29.0)
12	Retailing	171.7	2.0	(6.6)	1.8	(9.0)	1.1	(9.9)	0.9	7.8	(12.7)
13	Insurance	97.7	1.1	(5.6)	(4.2)	(1.6)	(9.5)	(0.6)	9.3	9.9	(3.4)
14	Consumer Durables	60.7	0.7	(26.3)	(3.1)	(0.1)	(4.5)	(9.4)	0.1	2.0	(26.7)
15	Pharmaceuticals	47.4	0.6	(4.7)	(1.6)	(2.6)	(2.9)	(1.5)	0.5	2.5	(9.8)
16	Technology	11.3	0.1	(7.7)	(1.1)	(5.8)	(3.2)	(9.5)	3.7	(7.7)	(9.9)
17	Commercial Services	10.1	0.1	(4.2)	1.1	(1.0)	1.9	(8.5)	2.2	(2.5)	(8.1)
18	Automobiles	7.8	0.1	(3.7)	(3.1)	(0.3)	(2.9)	0.3	0.9	(2.9)	(10.0)
19	Consumer Services	182.0	2.1	(11.3)	(4.0)	9.4	2.7	(0.3)	(9.5)	(4.0)	(20.1)
20	Household Products	4.1	0.0	(8.3)	(2.7)	(4.8)	(4.4)	(7.4)	(0.9)	(0.9)	(19.6)
21	Health Care	3.1	0.0	(4.9)	(9.0)	(8.0)	(2.2)	(14.2)	(3.9)	(2.0)	(32.4)
22	Media & Entertainment	4.0	0.0	(17.7)	10.1	(0.3)	(4.1)	(14.9)	(0.1)	2.4	(26.2)
23	Telecommunication	2.4	0.0	(28.5)	(4.0)	(2.0)	(3.2)	(1.3)	5.3	(0.3)	(36.4)

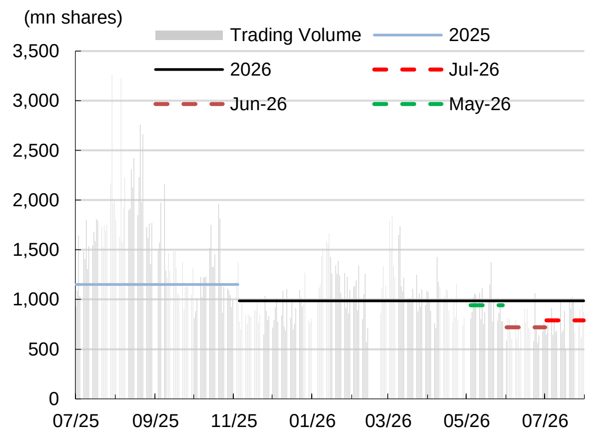
Source: Bloomberg, KIS Research
Note: Classification according to GICS with Level II: Industry Group; and Based on statistics of all listed shares on 3 exchanges, HOSE, HNX, and UPCOM

Overall, market performance in Jul reflected broad-based correction pressure across most sectors, particularly among smaller-cap industries. Meanwhile, large-cap sectors demonstrated greater resilience as capital continued to flow toward companies with solid fundamentals, helping maintain relative market stability amid heightened volatility.

3. Slight improvement in liquidity

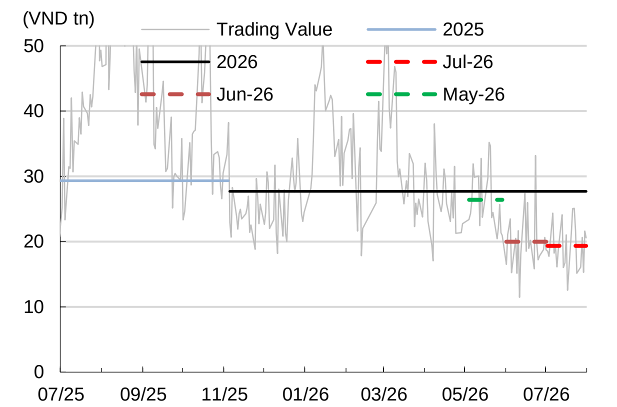
Liquidity improved after three consecutive months of decline. In Jul 2026, market liquidity recorded a modest recovery following three consecutive months of weakening, primarily reflecting increased trading activity amid heightened selling pressure and cautious investor sentiment. Specifically, average daily trading volume and value reached 789 million shares and VND19,350bn, respectively, representing a 9.7% increase in trading volume but a 3.2% decline in trading value compared with the previous month.

Figure 3. Trading volume and Average volume in 2026



Source: FiinproX, KIS Research

Figure 4. Trading value and Average value in 2026

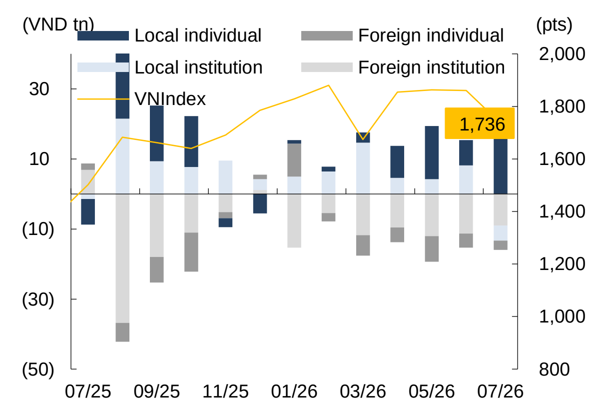


Source: FiinproX, KIS Research

4. Domestic retail investors extended their seven-month net buying streak

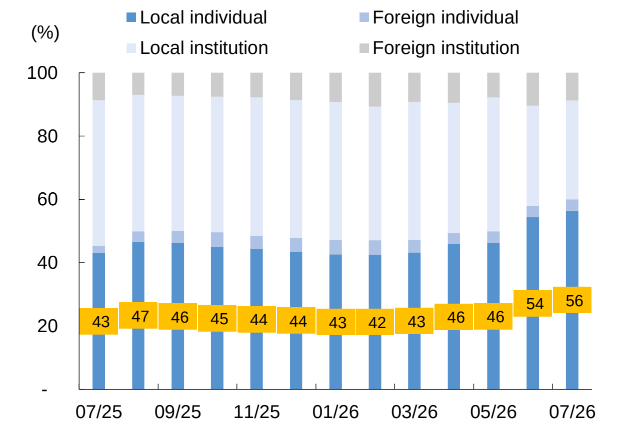
Domestic institutional investors reversed to net selling after 11 consecutive months of net buying. In Jul, domestic retail investors extended their net buying streak to seven consecutive months. Specifically, total net purchases reached VND15.9tn, surging 122.1% compared with the previous month. In contrast, domestic institutional investors reversed to net selling, recording total net outflows of approximately VND4.3tn.

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 investors remained net sellers. During the month, both foreign retail and foreign institutional investors continued their net selling streaks, although selling pressure eased somewhat. Specifically, total net outflows amounted to VND2.6tn and VND8.9tn, respectively, down 35.2% and 20.6% from the previous month.

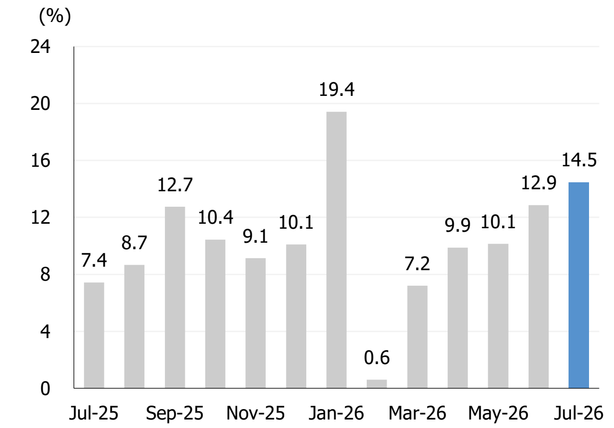
II. Time to buy

1. Macro tailwinds

The macro backdrop creates room for corporate earnings growth. Jul 2026 data show that the domestic manufacturing cycle remains on a fairly solid expansion: the IIP rose 14.5% YoY and accelerated from Jun, the PMI climbed to 52.8 points with output at a five-month high, new export orders reached their strongest level since Jul 2024, and employment returned to growth for the first time in five months.

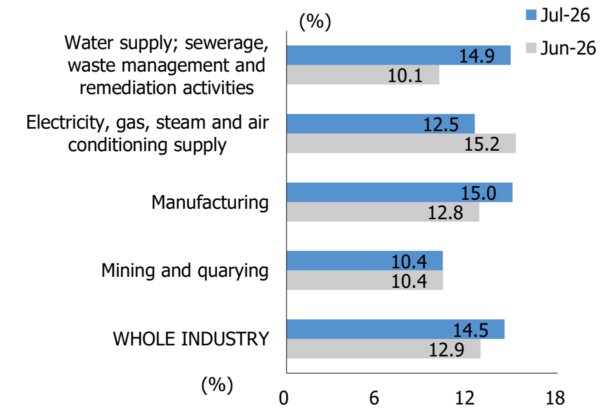
On the domestic demand side, retail sales grew 14.48% YoY, while accommodation services (+18.96%) and travel services (+24.31%) support the consumer, aviation and resort real estate sectors. Meanwhile, a stable labor market (industrial employment index +3.10% YoY) sustains household income levels. Lower inflation, combined with a stable exchange rate, eases the pressure on the SBV to tighten policy and keeps interest rates low - favorable conditions for capital flows into equities, particularly banks (where pressure on net interest margins and asset quality subsides) and companies with high financial leverage.

Figure 7. Monthly IIP %YoY



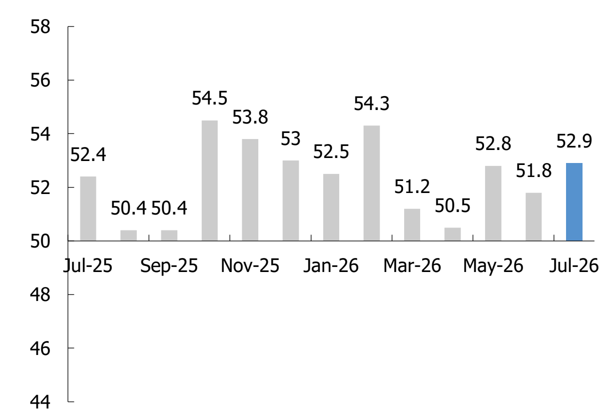
Source: NSO, KIS Research

Figure 8. Movements of 1st-leveled sectors



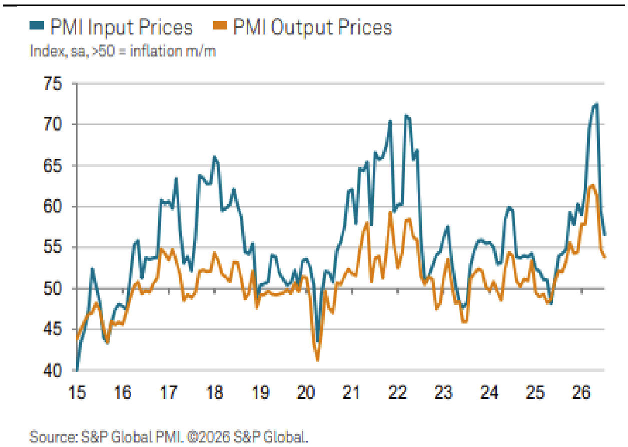
Source: NSO, KIS Research

Figure 9. Vietnam's monthly PMI



Source: S&P Global PMI, KIS Research

Figure 10. PMI Input and Output prices

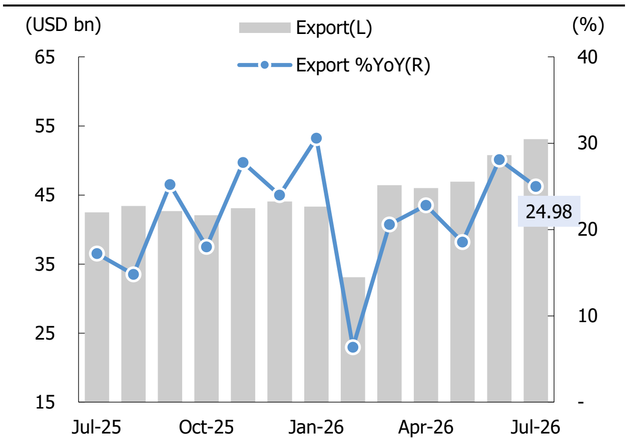


Source: NSO, KIS Research

External risks and the market paradox. However, external risks and the divergence between macro fundamentals and share prices warrant caution. The clearest risk comes from trade activity: the trade deficit widened to USD3.59bn in Jul, bringing the cumulative deficit for the first seven months of 2026 to more than USD20bn, while the export slowdown has deepened, with 26 out of 38 product groups posting slower growth than in the previous month.

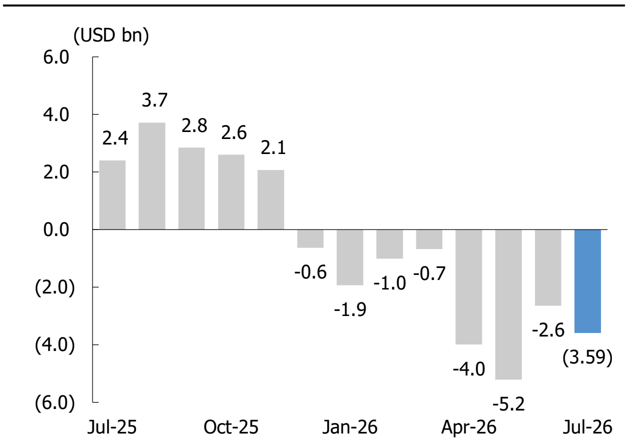
On 24 July, immediately after Section 122 expired, the United States imposed a 12.5% tariff on Vietnamese goods under its Section 301 investigation. Although the 12.5% Section 301 tariff is only 2.5 percentage points higher than under Section 122, the two Section 301 investigations remain an unknown that could trigger a full re-rating of the export sector - textiles and garments, footwear and leather, wood products and seafood are the most exposed. A prolonged trade deficit also weighs on the exchange rate and foreign exchange reserves should freight rates fail to cool as expected.

Figure 11. Vietnam monthly exports



Source: NSO, Vietnam Custom, KIS Research

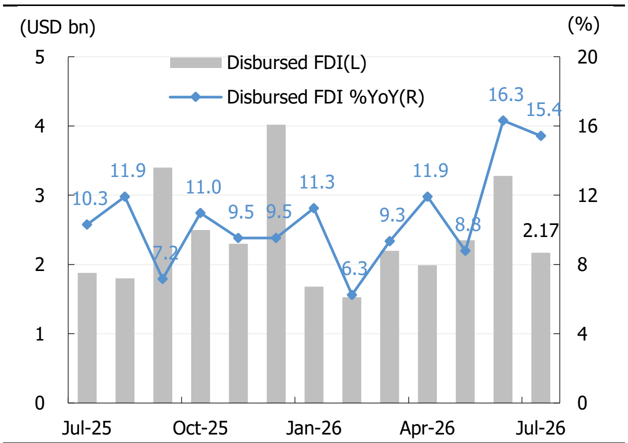
Figure 12. Vietnam's trade balance



Source: NSO, NSO, Vietnam Custom, KIS Research

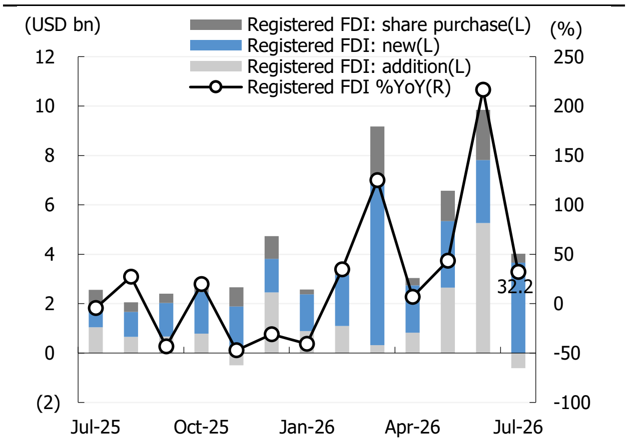
Signs of a slowdown in FDI. Additional capital from existing foreign-invested enterprises fell by USD0.60bn during the month - a signal worth monitoring, as it reflects the confidence of investors already operating in the country. The 10-year government bond yield edged up to 4.54%, having risen steadily since Mar, raising the cost of capital and eroding the risk premium.

Figure 13. Monthly disbursed FDI



Source: NSO, KIS Research

Figure 14. Monthly registered FDI



Source: NSO, KIS Research

2. The likelihood of a fed rate hike

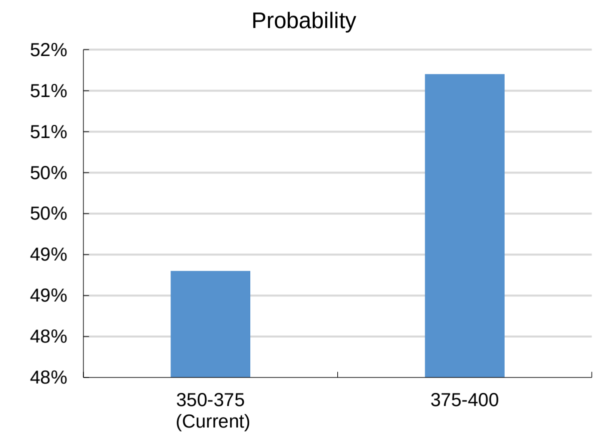
Disagreement among Fed governors. On 29 Jul 2026, the FOMC meeting concluded with the Fed holding its policy rate in the 3.50%-3.75% range. This marked the fifth consecutive meeting without a rate change; notably, however, three members voted against the decision. Specifically, three regional Fed Presidents - Lorie Logan (Dallas), Neel Kashkari (Minneapolis) and Beth Hammack (Cleveland) - all dissented. Yet their dissent came from the hawkish side: each favored an immediate 25 basis point rate hike.

The market reaction underscored the significance of this development. The Dow Jones fell sharply by 2.19%, its worst session since April 2025; the S&P 500 lost 1.52% and the Nasdaq declined 1.74%. In the bond market, the yield on 30-year US Treasuries surged to its highest level since 2007. What unsettled investors was not the decision to hold rates steady, but the direction of the dissent - for the first time in a long cycle, the hawks within the Fed are no longer a minority.

Kevin Warsh - A New Chair and New Rules of the Game. The market's strong reaction reflects not only the policy shift but also the arrival of the new Fed Chair, Kevin Warsh. Mr. Warsh took over the position from Jerome Powell in May 2026, following his nomination by President Donald Trump. He held his first press conference as Chair on 17 Jun 2026. What sets him apart is a fundamental change in policy-making philosophy.

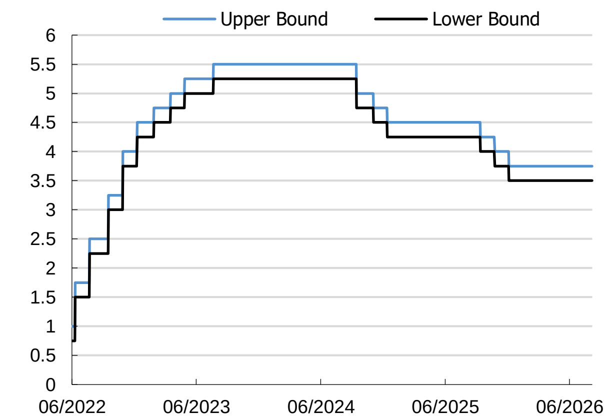
For more than a decade, major central banks have operated on the principle of forward guidance: the Fed signals its intentions in advance, markets adjust accordingly, and shocks are minimized. Mr. Warsh intends to dismantle this approach. He advocates providing fewer signals about the next policy move, arguing that the Fed should spend less time telling markets what it will do and instead emphasize the conditions that would prompt action. This is more than rhetoric - the post-meeting statement was substantially shortened compared with standard practice under Mr. Powell.

Figure 15. Target rate probabilities for 16 Sep 2026 Fed Meeting



Source: CME, KIS Research

Figure 16. Federal funds target rate



Source: NSO, KIS Research

This shift will have a considerable impact on how financial markets function. The skill of "reading the Fed" through guidance-laden statements - something an entire generation of investors has cultivated - has just lost much of its value. From now on, markets must infer policy from economic data rather than being led to it. This may create several complications; investors could, for instance, misinterpret the implications of the data and misjudge the policy path. As a result, financial markets under Kevin Warsh are likely to prove less predictable and more volatile than in the preceding period.

The likelihood of a rate hike. In the coming period, the Fed will most likely raise rates to take a firmer stance against inflation, driven by the following factors:

Firstly, inflation has stayed above target for too long. The three dissenting members argued that inflation has remained above the Fed's 2% target for more than five years. The data support this view as the personal consumption expenditures (PCE) price index rose 3.7% YoY in Jun, with core PCE up 3.3%. When a central bank repeatedly misses its target over half a decade, its anti-inflation credibility comes into question - and credibility is a central bank's most valuable asset.

Secondly, the US economy is not weak enough to force the Fed's hand. The ISM Manufacturing Index rose to 55.6 in Jul, its highest level since 2022. With the economy still carrying momentum, the case for cutting rates to support growth is difficult to make.

Thirdly, the energy shock from the Middle East. The protracted conflict in the region has clouded the inflation outlook, bringing risks of oil supply disruptions and escalating shipping costs as critical maritime routes come under threat. High energy prices affect not only the fuel component of the CPI basket directly, but also feed through to production costs, logistics and final goods prices with a lag of several months. This is precisely the type of supply-side shock that monetary policy struggles to address, compelling the Fed to adopt a tougher stance in order to anchor inflation expectations.

On this basis, we believe the Fed may raise rates by a further 0.25% across the three remaining meetings of 2026. The timing of the hike will depend on US macroeconomic data at each stage.

Table 1. Key events that could shape the Fed's policy decision

Date	Event	Why it matters	Impact
Aug 7	July employment report	Confirms whether the weak June figures were an anomaly or the start of a trend	High
Aug 12	July CPI	Measures how far the energy shock has spread into consumer prices	High
Aug 14	July retail sales	Tests demand - the last pillar supporting the hawkish case	Medium
Aug 19	Minutes of the July 28–29 FOMC meeting	The only source that reveals the internal debate after the statement was shortened	High
Aug 26	July PCE and core PCE	The inflation gauge the Fed officially relies on	High
Aug 28	Preliminary CES benchmark revision (BLS)	Could rewrite the entire picture of past employment	Medium
Late Aug	Jackson Hole Symposium	Kevin Warsh speaks and may shape the U.S. financial policy framework	High
Sep 4	August employment report	The final labor report before the meeting	High
Sep 11	August CPI	The last major data release, landing in the week before the meeting	High

Source: KIS Research

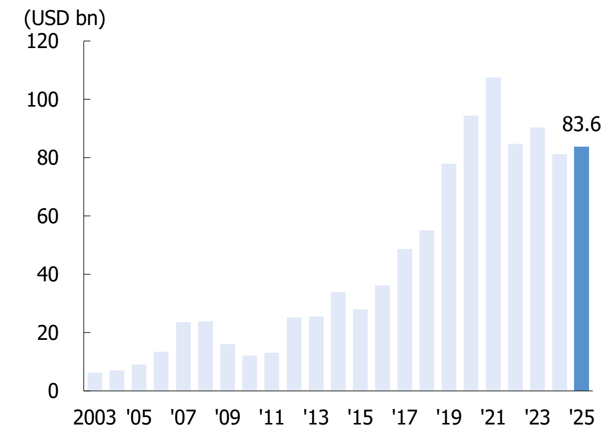
Three transmission channels to the vietnamese market.

- **Exchange rate.** Should the Fed raise rates, the exchange rate will be affected through a very direct transmission mechanism. Specifically, a

Fed rate hike widens the interest rate differential between the VND and the USD, reducing the appeal of holding the dong and creating pressure for capital outflows from the Vietnamese market.

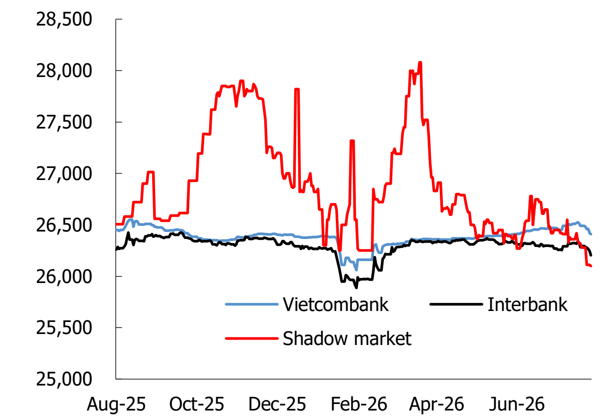
- **Narrowing domestic policy room.** The State Bank of Vietnam has set a credit growth target of around 15% for 2026, significantly lower than the near-20% recorded in 2025. Meanwhile, Jul CPI rose 4.45% YoY, close to the Government's 4.5% ceiling, and the Government has identified inflation control as a priority for the final months of the year. This means that if the Fed raises rates, the likelihood of Vietnam easing monetary policy to support the market is very low.
- **Equity valuations.** A Fed rate hike would push the U.S. Treasury yields higher. As a result, the global cost of capital and valuation multiples across all markets would adjust accordingly, regardless of the fact that domestic corporate earnings continue to grow at a healthy pace.

Figure 17. Vietnam's foreign exchange reserves



Source: IMF, Bloomberg, KIS Research

Figure 18. USDVND by market



Source: SBV, Bloomberg, KIS Research

3. Staged capital deployment strategy

Positive signals following sharp selloffs. On 22 Jul 2026, the VNIndex underwent a sharp correction, falling more than 3%. This ranks among the market's steepest single-session declines. Given that the market is currently trading at under valuations, this selloff may represent a reasonable opportunity to deploy capital.

Specifically, we reviewed the entire trading history of the VNIndex from 2010 to the present and identified 84 sessions with declines exceeding 3%. Based on these corrections, we compiled statistics and analyzed market trends across defined time horizons in order to assess the market's likely direction ahead. Eight time horizons were selected such as one week, two weeks, one month, two months, three months, six months, nine months and one year. The results are presented in Table 3.

Table 3. Historical market behavior after sessions declining more than 3%

Horizon	Observations	Mean	Median	Win Rate
1 week	83	+1.1%	+1.1%	62.7%
2 weeks	83	+1.4%	+0.7%	54.2%
4 weeks	83	+3.1%	+3.7%	68.7%
2 months	83	+5.1%	+4.4%	74.7%
3 months	83	+5.9%	+6.0%	71.1%
6 months	80	+9.0%	+9.2%	73.8%
9 months	79	+13.9%	+10.0%	73.4%
1 year	77	+15.7%	+10.4%	72.7%

Source: KIS Research

The findings show that the probability of market gains prevails across the time horizons. Notably, after two months, the proportion of positive outcomes exceeds 70%. Average returns are also impressive, with both mean and median returns positive, and the longer the horizon, the stronger the market performance. This implies that an uptrend with attractive returns tends to emerge following corrections of more than 3%.

Phased capital deployment. The two-week window following a sharp decline warrants particular attention. At this horizon, the win rate is only 54.2% and the median return just +0.70%, lower than at the one-week mark. This suggests that sharp declines tend to occur in clusters, and the first steep drop is rarely the last. Of the 84 events, the majority fell within clusters of two to five sessions separated by only a few days.

Although risks remain in the wake of sharp declines, investment opportunities during these periods cannot be ruled out. We therefore believe investors may adopt a phased deployment strategy, spreading purchases across multiple sessions rather than committing everything to the first down session, with a minimum holding horizon of two to three months. Over a one- to two-week window, the edge all but disappears, but the longer the position is held, the greater the returns.

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