Vietnam Monthly Market Commentary

March 2026

MARKET MOVEMENT

- VN-Index closed at 1,674.5, down 10.95% MoM, as a confluence of macro headwinds weighed on the market
- Escalating tensions around the Iran conflict drove a sharp spike in oil prices, amplifying inflation concerns and FX pressure.
- Average daily turnover edged up modestly to USD 1.1 bn (+14.0% MoM), but liquidity tapered off into the month-end, suggesting a still-fragile recovery in risk appetite.
- Foreign investors remained net sellers, recording a monthly net outflow of USD 670 mn, extending the ongoing sell-off trend.

SECTOR PERFORMANCE

All sectors showed negative returns, with defensive sectors outperforming compared to the broader market.

Healthcare (-1.94% MoM)

Classic defensive sector, underpinned by resilient demand across economic cycles, with a consistent track record of stable dividend payouts.

Consumer Staples (-4.58% MoM)

Supported by inelastic demand for essential goods, while a low base effect from last year provides a favorable setup for earnings growth in the current period.

Industrials (-5.62% MoM)

Partly driven by renewable names such as REE and HDG, amid thermal power supply concerns stemming from elevated input costs.

Utilities (-19.15% MoM)

GAS and POW outlook remains pressured by rising LNG import costs, alongside limited visibility on incremental risks of LNG import volumes.

Information Technology (-18.76% MoM)

Valuation de-rating due to rising concerns over structural risks to the outsourcing business model, with sustained foreign outflows in FPT.

Energy (-16.25% MoM)

The sector has largely given back its gains from Resolution 79 on the back of profit-taking, with oil prices remaining the key swing factor as Brent continues to soften.

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KEY EVENTS IN MARCH 2026

- **Vietnam PMI:** According to S&P Global, Vietnam's PMI stood at 51.2 in March 2026, marking the ninth consecutive month above the 50 threshold. However, sharply rising input costs have led to the fastest increase in output prices since April 2011; the rate of increase in production and new orders has slowed significantly; and delivery times have been extended to the greatest extent in four years.

- **The U.S.–Iran situation delivered mixed signals, highlighting continued geopolitical uncertainty.** There was still no progress in negotiations. The U.S. has increased its military presence in the Middle East, raising the risk of further escalation, including a potential ground invasion. Oil price cooled down; however, Brent price remains above 100 USD/bbl.

- **Fiscal policy to support the energy market domestically:** The Government has introduced temporary tax relief measures under Decision No. 482/QD-TTg, reducing environmental, VAT, and special consumption taxes on gasoline, diesel, and jet fuel to 0% from March 26 to April 15. These measures are expected to lower retail fuel prices by approximately 15–19% compared to March 25 levels, also offsetting the loss from Petroleum Price Stabilization Fund which has been suspended due to a sharp decline in its balance from March 26. Domestic refineries such as Nghi Son and Binh Son also announced about their current status and ability for continuous operation till May 2026, which helps to reduce market nerve over national energy security.

- **Overnight interbank interest rates have sharply risen to 8.7%** (vs. 4.3% last week on average) driven by a temporary liquidity shortage. Toward the month-end, state-owned banks raised 12-month deposit rates to 5.9%, the highest level since November 2022, while the State Bank of Vietnam intervened in the FX market with 180-day USD forward sales at VND 26,850 to temporarily ease FX pressure. At the end of 2025, Vietnam FX reserves reached USD 83 bn, sitting somewhat below the IMF's Assessing Reserve Adequacy (ARA) benchmark → The current energy shock seems to exacerbate our liquidity shortage position in the short term.

- **The Federal Reserve maintained its benchmark federal funds rate unchanged at 3.5%–3.75%** in its March 2026 meeting, while the updated dot plot continues to signal only one potential 25-basis-point cut later in the year. This cautious stance reflects persistent inflation pressures (with PCE forecasts revised higher to around 2.7% for 2026), mixed labor market signals, and heightened geopolitical risks from the ongoing Middle East conflict (particularly the U.S.-Iran war and surging energy prices), which have introduced significant uncertainty and led to pared-back easing expectations among policymakers.

- **The State Bank of Vietnam (SBV) is proposing amendments to Decision 09/2024/QĐ-TTg to raise the credit exposure limits specifically for large, key projects in Hanoi,** in line with National Assembly Resolution 258/2025/QH15 on piloting special mechanisms for priority initiatives in the capital. The draft suggests increasing the maximum credit exposure to 38% of the bank's equity for a single customer and 52% for a customer and related parties (compared to the current 13%/21%, soon to decline to 12%/19%).

Vietnam Monthly Market Commentary

March 2026

Our views:

April sets up as an external macro-driven tape, with the trajectory of the Iran conflict remaining the dominant swing factor. Persistent disruption in the Strait of Hormuz keeps upside pressure on Brent oil prices, translating into a familiar mix of inflation pressure, FX weakness, and higher interest rates. However, near-term catalysts remain in play. The FTSE EM reclassification review on April 8 could provide a sentiment boost via potential passive inflows. 1Q earnings should remain relatively resilient, with the bulk of energy-related margin compression likely deferred to 2Q. In parallel, the completion of key leadership appointments should help anchor policy visibility, supporting medium-term confidence. The underlying resilience of Vietnam's macroeconomics and the government's proactive fiscal-monetary coordination suggest that the current slowdown is a cyclical bump rather than a structural derailment. For Q2 2026, the focus will shift toward 1Q26 earnings and companies' AGM outlook.

Vietnam Monthly Market Commentary

March 2026

MACRO COMMENTARY – MARCH 2026

Vietnam's growth trajectory remains intact, underpinned by a resilient, production-led expansion. GDP in 1Q26 rose 7.83% YoY - modestly below the 8.0% YoY target, but still marking an acceleration from 7.07% YoY in 1Q25. Momentum continues to be driven by industrial output, construction activity, and a steady services demand growth. On the inflation front, external pressures - primarily from elevated oil prices pushed March CPI to 4.65% YoY. That said, we highlight the government's timely rollout of fiscal measures toward end-March aimed at mitigating energy price pass-through, particularly amid heightened Iran-US tensions. Overall, despite a more volatile global backdrop, Vietnam's macro framework remains prudently managed, with policymakers demonstrating flexibility in navigating external shocks while preserving growth stability.

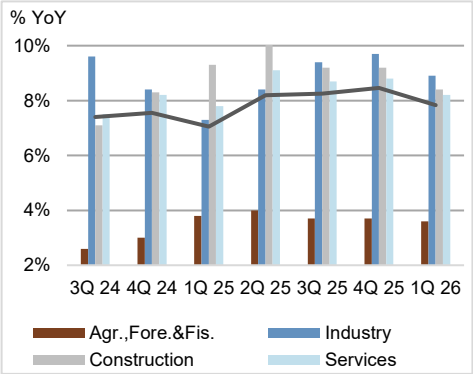
Industrial production	IIP in 1Q26 increased by 9.0% YoY, compared to 8.3% YoY in 1Q25. However, we note that IIP in March decelerated to 7.5% YoY, down from 11.7% YoY last year, mainly due to weaker growth in the manufacturing of computer and electronic products.
PMI	Vietnam's PMI came in at 51.2 in March 2026, marking a ninth consecutive month above the 50 expansion threshold. However, sharp increases in input costs weighed on momentum, resulting in a softer MoM business confidence.
Trade balance	In 1Q26, exports climbed by 19.1% YoY, while import jumped by 27.0% YoY, due to significant import of raw materials for production. This results in USD 3.64 bn of trade deficit, compared to USD 3.57 bn of trade surplus last year.
FDI	Foreign direct investment (FDI) disbursements momentum stayed strong, rising +9.1% YTD in 1Q26.
Retail sales	Retail sales growth maintained strong in 1Q26, with nominal growth around 10.9% YoY, with resilient growth coming from tourism and services.
Public investment	Public investment disbursement pushed stronger in March, reaching VND 133 trillion (+14.0% YTD), compared to VND 117 trillion last year.
CPI	Inflation was pushed up by the energy shock, with CPI reached 4.65% YoY in March; however, core CPI remained at 3.96% YoY.
FX	In comparison to regional rivals, the VND shows remarkable resiliency (-1% MoM compared to USD), while the Philippines, Malaysia, and Thailand lost 4-6% compared to USD. Due to the FED's recent hawkish stance and safe haven during the US-Iran war, the DXY increased throughout the month. In response to these circumstances, the SBV management helped the VND stay relatively constant during March.

Vietnam Monthly Market Commentary

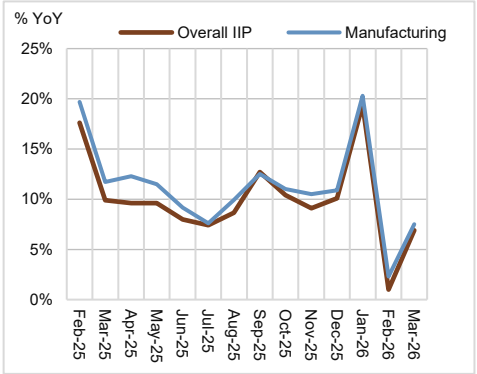
March 2026

KEY DATA

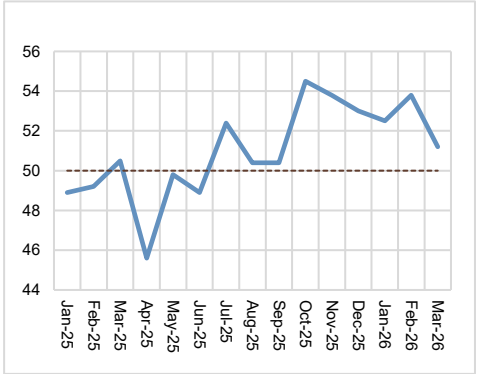
Real GDP growth by sector



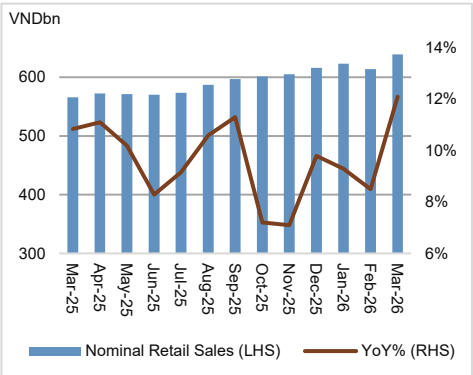
IIP



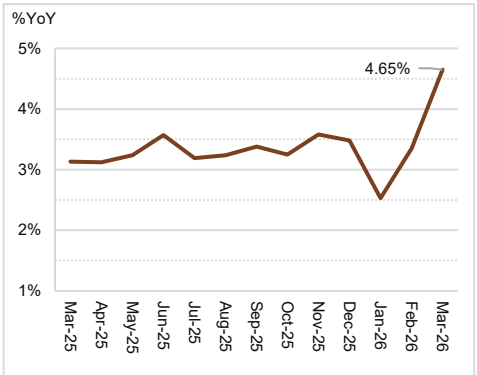
PMI



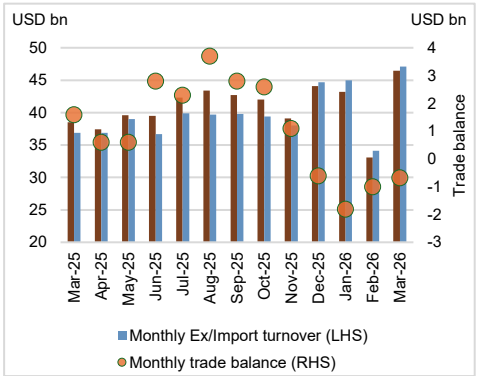
Retail sales



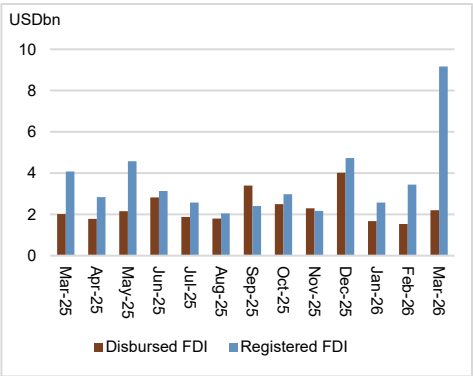
CPI



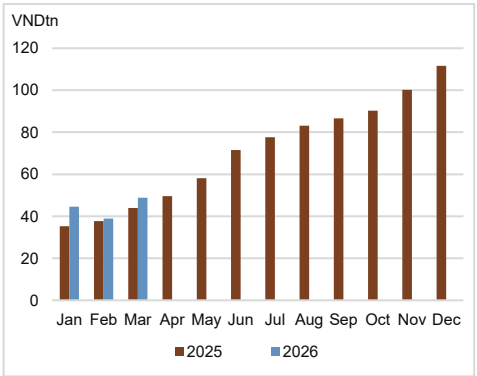
Trade



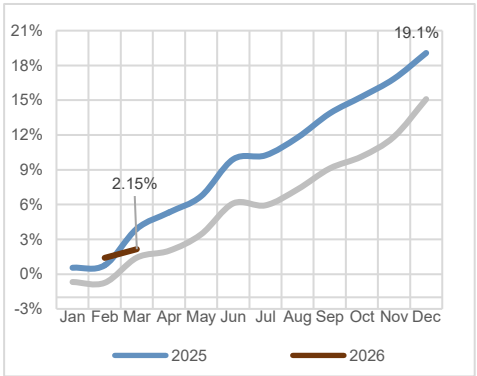
FDI



Capital investment by government



Credit growth (YTD)



Vietnam Monthly Market Commentary

March 2026

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