



Research Department

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31/07/2025

Vietnam Macro Update Q2/2025 and important information in mid-July

Summary of key information:

- The world is more stable after tariff developments at the beginning of the month. Countries pursue different negotiation strategies with certain results.
- The economies of countries, especially the US and China, are growing well, but the sustainability is different.
- Vietnam's economy grew strongly in Q2, steadily moving forward according to the 2025 targets. However, risks are also present in the system and need to be carefully monitored and intervened when necessary.

VNIndex has recovered strongly after a volatile period in early April. On July 28, VNIndex officially set a new historical high at 1,557 points thanks to domestic cash flows, especially from domestic institutional cash flows.

Currently, Vietnam's stock market is increasing thanks to three main drivers:

- The first is information about more positive tariffs than initially (20% for Vietnamese goods, 40% for transshipment goods compared to 46%)
- Secondly, the prosperous business results of many enterprises due to the government's policy of easing and disbursing public investment
- Third, is Vietnam's potential upgrade to an "emerging market" status by FTSE Russell.



INTERNATIONAL MACROECONOMICS

The world financial market in recent times has become more stable. For the most surprising factor in the past period is President Donald Trump's reciprocal tariff plan, there has been a lot of progress in recent times when Mr. Trump has continuously announced tax agreements with important partners such as the EU, Japan or ASEAN countries.

At the end of July, the UK was officially the first and only country to sign a tariff agreement with the US, with a tariff rate of 10%. Observers say a 10 percent tariff would be the minimum countries can achieve in a deal with the United States. In addition to the 10% minimum tariff, the Trump administration also announced that the signatory countries (EU, Japan, Indonesia, etc.) are committed to buying hundreds of billions of goods from the United States. However, these statements were immediately corrected by the partner countries, and it seems that the actual number will be much lower or even not a commitment from the government, optionally a choice of businesses.

Also in the past few months, the development of tariff negotiations has also shown that the US side can make concessions to partners, and several different negotiation strategies, especially China's, are bringing many positive results.

Another important factor was the increase in international geopolitical tensions. In addition to the development of the Russia-Ukraine war, the Middle East hotspot has also exploded with Israel and Iran fighting, accompanied by Israel stepping up attacks on Syria, and neighboring countries. In addition, the Asian region also witnessed two short skirmishes between India - Pakistan and Thailand - Cambodia. In overall, it shows that the world is becoming increasingly uncertain. This may come from the ongoing rebalancing process from single the superpower model, the United States, to a more sustainable model of multipolarity with great powers such as the United States, China, and Russia. Each country will have its own area of influence.

Reciprocal Tariffs		
Country	Tariffs Charged to the U.S.A. (Average of Most-Favored-Nation and Trade Preference)	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Reciprocal Tariffs		
Country	Tariffs Charged to the U.S.A. (Average of Most-Favored-Nation and Trade Preference)	U.S.A. Discounted Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Côte d'Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%



Source: Bloomberg Terminal, Whitehouse.gov, GTJA RS team

In the US market, the main data of the US economy over the past time shows astonishing stability, contrary to the concerns of experts in recent periods. According to published data, US GDP in the

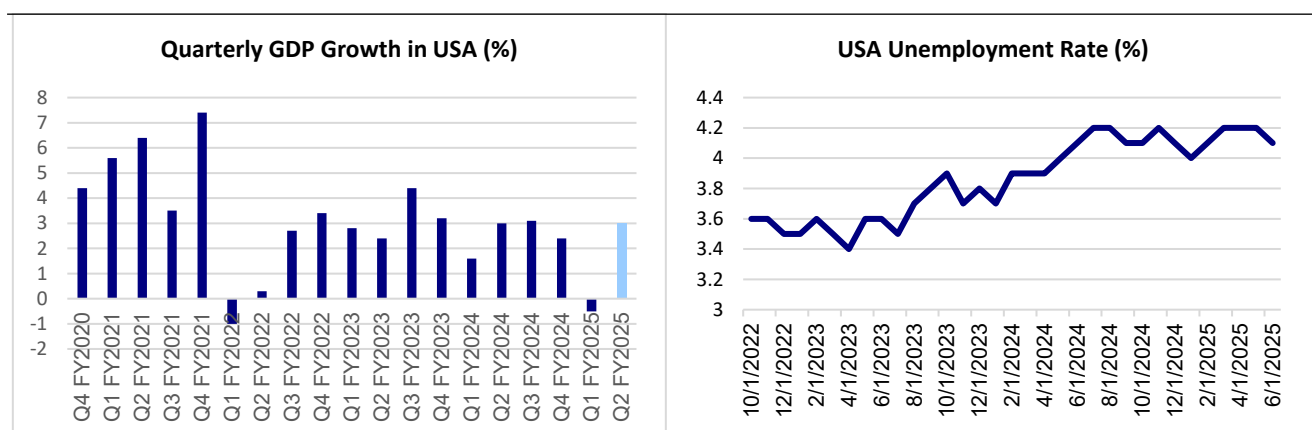


second quarter grew by 3.0%, much higher than the previous forecast of 2.5% as well as compared to the 0.5% decline the previous month. This temporarily allows us to assume that the US economy has not fallen into a recession. The sharp fluctuation in US GDP in the past 2 quarters is partly due to companies increasing imports in the first quarter to guard against tax developments, leading to a decline in GDP due to an increase in the trade deficit. This factor was reversed in Q2, leading to a recovery in growth.

In addition, the US unemployment rate continued to stabilize at a low level of 4.1%, also down from the forecast of 4.3% and the May level of 4.2% in the context of a lot of information about cutting positions at many large enterprises such as Microsoft, Meta... With these developments in the US economy, the US Federal Reserve (Fed) has continuously delayed interest rate cuts as many have called for, especially US President Trump when he wants the Fed to cut interest rates by 3.0% or more.

With stable economic growth, the economy showing no signs of recession while inflation may be under pressure from the tariff war and low unemployment, the likelihood of the Fed's interest rate cut in September is being revised down by investors from 90% to about 41%. shows that the Fed's interest rate is still very unpredictable this year.

In addition, there is a fierce battle in the United States internally, between the Trump administration and the Federal Reserve under President Powell. Trump has repeatedly pressured and criticized Powell's refusal to cut interest rates as he has proposed, and there have been repeated rumors that Trump is seeking congressional permission as well as a legal basis to fire Powell. This caused sharp fluctuations in the market. Although President Trump immediately reassured that he did not have that plan, the market is still closely watching Mr. President and his team for signs of tension with Powell. Some professional investors from JP Morgan or BlackRock have warned of a negative impact on the dollar if Trump fires Powell.



Source: Bloomberg Terminal, Bureau of Economic Analysis, GTJA RS team

The reality is that the pressure on the US economy is greater than the surface figures. The US inflation situation shows signs of positivity when the CPI is increasing by 2.7% compared to the forecast of 2.6% and the previous month's level of 2.4%. The Fed's favorite inflation measure, the PCE index, is also up 0.2% from the previous month, higher than expectations of 0.1%, bringing

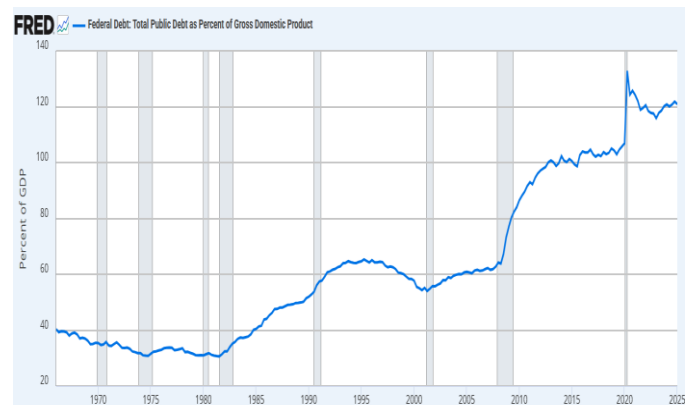
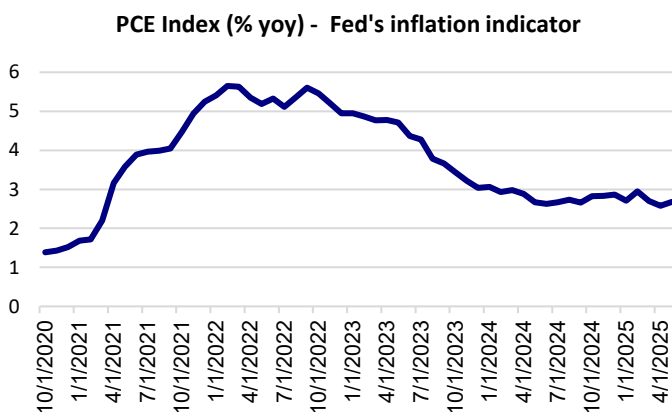


the full-year increase to 2.7%. Even the Truflation Index, a non-traditional inflation tool that Mr. Trump has repeatedly referenced to put pressure on the Fed, has risen from about 1.4% to 2.3% recently, reinforcing the perception that inflation is rising across the entire US economy.

In the context of volatile GDP due to abnormal movements in imports and government spending, investors turned their attention to the final retail expenditure for real domestic private buyers, and the index rose by 1.2% in the second quarter, a very low level in recent years. This is in line with the continuous decline in consumer confidence in the US and recent lows, while consumption usually accounts for about 70% of US GDP. Thus, concerns about the ability of the United States to sustain sustainable growth are completely grounded.

In addition, Fed Chairman Powell also said that Trump's tariffs seem to have been paid for by domestic importers in the United States, and so the selling prices of affected items are likely to increase accordingly soon. Besides these increasing concerns about the Fed's inflation, the decline in purchasing power due to price increases will have a negative impact on the economy soon if there are no corresponding measures.

With the debt currently in the range of \$36-37 trillion, and expected to reach 50 trillion in the early 2030s, the persistence of high interest rates due to inflation as well as concerns about the government budget deficit makes the US government debt payment the largest expenditure of the budget in 2024 and will continue to increase sharply in the next year. All these factors point to major difficulties for the U.S. economy, and the Trump administration will have much to do if it wants to maintain and restore America's standing on the international stage.



Source: Bloomberg Terminal, Fred St.Louis, GTJA RS team

China

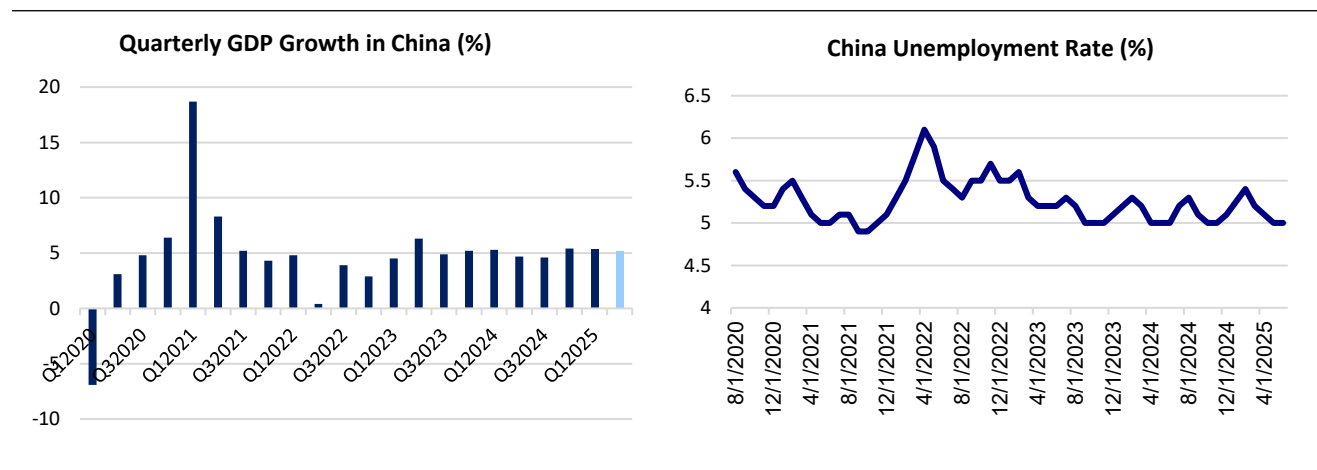
In the context of the US economic picture, although there are many bright spots, but still intertwined with dark areas, the Chinese economy shows a much more stable and positive face. China's Q2 GDP grew by 5.2% over the same period in 2024, higher than the forecast of 5.1%. Besides, the unemployment rate has also gradually decreased and stabilized at 5.0% recently, indicating the stability of the Chinese market again.



These impressive growth milestones come from China's long-term policy, when China has actively restructured the economy, towards a sustainable growth model thanks to domestic consumption demand, reduced leverage in the real estate sector as well as focusing on mastering advanced technologies with the "Make in China 2025" plan.

Despite some difficulties with the first trade war with the US side in 2018, as well as facing the covid 19 pandemic in 2020-2022 and the closure of the economy, the consistent implementation of the above goals allows China to have a much stronger position in this second trade war with Mr. Trump.

Consequently, it leads to China now being able to negotiate with the US side on an equal footing, even the US side has to be the initiator of negotiations, showing a desire to get more of an agreement from the partner on the other side of the Atlantic. Even in the pre-negotiation stage, China is also likely to firmly pursue the protection of domestic corporate interests, through raising counter-retaliatory tariffs on unilateral moves by the Trump administration.



Source: Bloomberg, China's National Bureau of Statistics, GTJA RS team

Even though the country is subject to the highest reciprocal tariff (about 55% of the new and old tariffs combined) compared to the world's general level of 10%, China's export surplus in recent months has continuously reached new record highs. This comes from China's diversification of partners, as well as the promotion of bilateral cooperation activities with countries that share the same vision and interests through the BRICS.

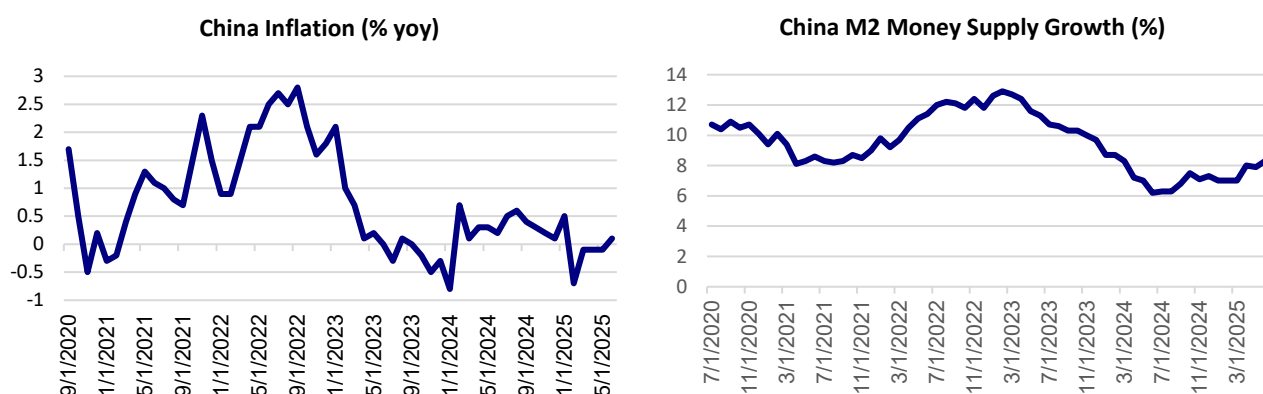
Not only focusing on export value, but China also holds sectors with a small export value while has a strategic role with production activities and advanced technologies in the world such as hazardous land. With the presence of rare earths and rare earth magnets in every electronics industry from household goods to defense and security, China has a huge leverage over other countries to protect its interests and strategic direction.

Because of China's control of about 90 percent of the world's rare earth refining capacity, and the introduction of restrictions on rare earth exports to the defense and security sector, the warring parties in the Israeli-Iranian conflict have more incentive to sit at the negotiating table due to the serious decline in the number of Israeli defense missiles after the Iranian attacks but the ability to



produce alternatives faces many difficulties both in terms of the supply of input materials (such as rare earths) as well as the production capacity of the US and Israel.

Currently, the Chinese government has shown a strong commitment to supporting domestic economic growth in a sustainable way, through monetary easing and reasonable fiscal easing policies. The M2 money supply as of the end of June has risen sustainably by 8.3%, and the recent continuous increase shows that Chinese regulators are shrewdly fulfilling their commitment to providing adequate liquidity to the market, as well as continuously reducing the benchmark interest rates for 1-year and 5-year terms to reduce costs for businesses and consumers use.



Source: Bloomberg Terminal, China's National Bureau of Statistics, GTJA RS team

VIETNAM

Vietnam's economy accelerated in the second quarter, reaching a growth rate of 7.96% over the same period in 2024. This is a very impressive increase, only lower than the 8.56% increase in Q2 2022 because this is the year of economic recovery after the lockdown period. Thus, in the first 6 months of 2025, Vietnam's economy will grow at 7.52%, the highest growth rate in the first half of the years from 2011 to now. Having this strong growth rate, in addition to the objective factor that many foreign customers increased orders in Vietnam during the period of suspension of defensive tariffs, there is a great and important contribution from the policies of the Party and the Government to untie and promote domestic production and business from the end of 2024 until now.

GDP

In Q2, the proportion of agriculture accounted for about 9.6% of GDP in the quarter, lower than 10.2% in the previous quarter. This continues to be a development in line with the orientation of reducing the proportion in the agricultural sector with low surplus value, and shifting more into the production sector to create a spillover effect on the economy. The growth rate of this sector in Q2 reached 3.89%, equivalent to the growth of 3.74% in Q1

The service sector still has the largest proportion, accounting for 45.2% of GDP in Q2, equivalent to the proportion of this sector in the previous quarter of 45.3%. This is also a field with a high



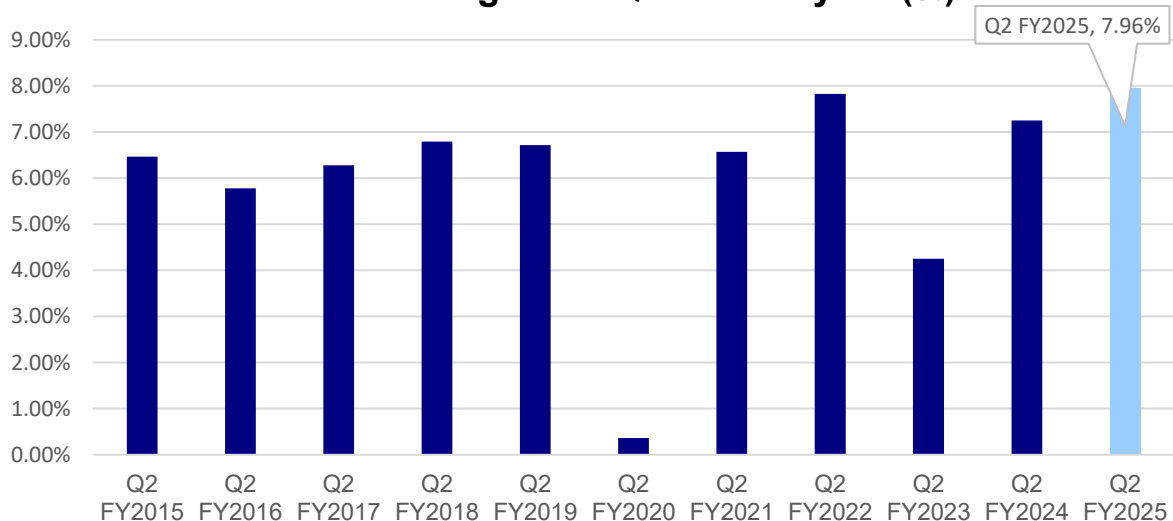
growth proportion, reaching 8.46% in the last 2nd quarter and reaching 8.14% if calculated from the beginning of the year. About 22% of the output of the service sector comes from the wholesale and retail industry, auto and motorcycle repair. This industry has had sudden growth in recent years, due to the emergence of leading domestic manufacturing enterprises, Vinfast. Despite this, the industry has a growth rate of 6.73% in Q2, and 7.03% for 2025, which is lower than the industry average. More notably, the transportation and warehousing industry, accounting for 14% of the service sector, had a growth rate of 9.37% in the second quarter and 9.82% in the first 6 months of the year, in line with vibrant production and export activities this year.

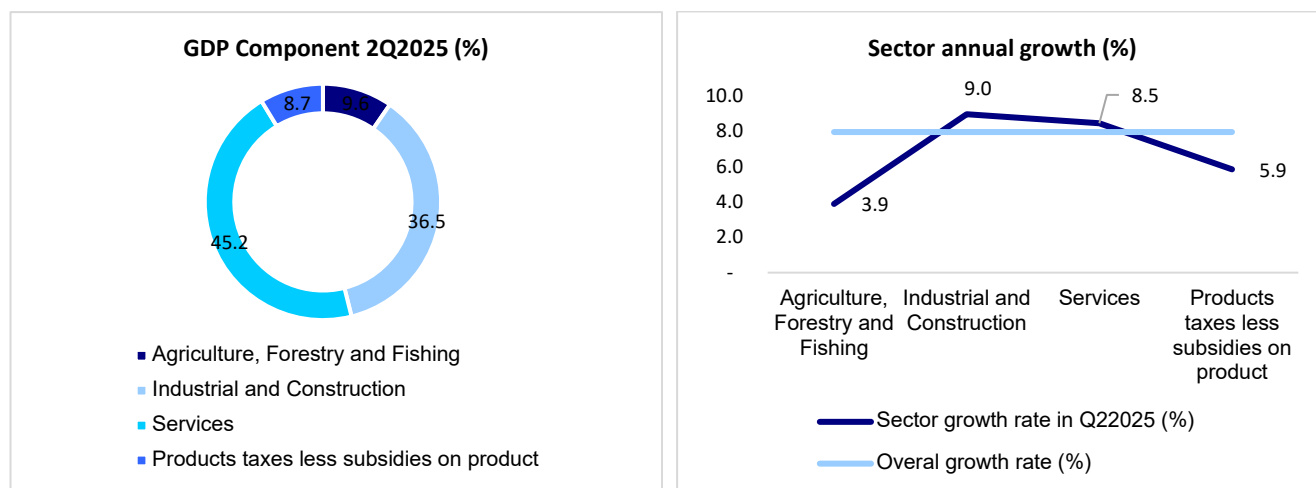
The last key growth sector was Industry and Construction, which accounted for 36.5% of Q2 GDP output, slightly higher than the previous quarter's 35%. The growth rate of this sector reached an impressive 8.97%, significantly higher than the 7.61% increase in the previous quarter bringing the 2025 average of this sector to 8.33%, the highest among the main sectors of the economy. In the detailed industries, the processing and manufacturing industry accounted for nearly two-thirds of the total output of the Industry and Construction sector, with a growth rate of 10.75% in Q2 and continued to be the leader of Vietnam's economy.

With these steps, Vietnam's economy is very firmly moving towards the growth target of over 8.0% for 2025. Having achieved important foundations in the first half of this year, **we raise our forecast for Vietnam's GDP growth in 2025 to 7.8-8.3% for the full year, a slight increase from the previous forecast of 7.5-8.0%.**

The reason for the slight upward adjustment is that positive factors at the beginning of the year are likely to gradually decrease in the second half of 2025, and in general, the world economy is still struggling with headwinds from the needs of major economies as well as the uncertainty of the trade war and complicated developments in interest rates. exchange rates around the globe.

Vietnam GDP growth Q2 of each year (%)





Source: General Statistics Office, GTJA RS Team

Industrial Production

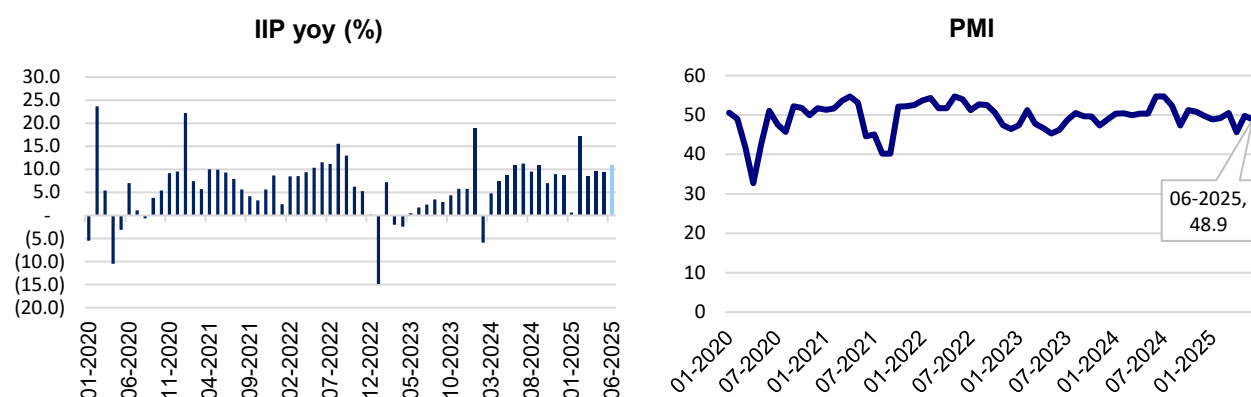
Gross industrial output in Q2 had a strong increase, in line with the high growth rate of the Industrial and Construction sectors in GDP. In Q2, the index of industrial production grew by 10.3%, significantly higher than the previous quarter's increase of 8.3%. While three-quarters of the sectors of industrial production accelerated in Q2, the power generation and distribution sector slowed down in the quarter.

The first area to see improvement is mining. Although still down 1.3% over the same period in 2024, this decline has slowed down from the 4.6% decline in Q1/2025. The growth champion still came from the manufacturing industry, which grew by 12.3% compared to 9.9% in the previous quarter, and is the main sector of Vietnam's industrial production. Finally, the Water Supply and Waste Treatment sector maintained a steady growth momentum of 11.5% in Q2, equivalent to an increase of 11.1% in the previous quarter.

Meanwhile, the power generation and distribution sector only grew slightly by 3.8% in the second quarter of 2025, lower than the 5.3% increase in the first quarter. It is possible that the decline in electricity production is partly due to disputes over renewable electricity prices between Vietnam and projects approved in the previous period (about 75% are in the hands of foreign investors), and may be a factor of concern if Vietnam wants to develop industrialization. modernization as well as shifting into several high-value-added fields such as semiconductors, data warehouses or greening vehicles by shifting from gasoline-powered vehicles to electric vehicles.

An important basis for concerns about the ability of industrial production in Vietnam to maintain its impressive growth momentum is the PMI. While Vietnam is among the countries that have postponed reciprocal tariffs, and has reached a consensus with the US side on a new reciprocal tariff that is much lower than the original proposal, the PMI in Vietnam has continuously shown a contraction in production scale. order size at major domestic manufacturers.

As of the end of June, the PMI was recorded at 48.9 points, 50 points lower than the neutral level, indicating a negative outlook for the manufacturing industry. This is the 3rd consecutive month that the PMI has recorded this trend, which may raise concerns about slow growth like in the early 2023 period when the PMI was continuously lower than 50 points for many months.



Source: General Statistics Office, S&P Global, GTJA RS team

Total retail sales of goods and services

Total retail sales of goods and services in June 2025 are estimated at VND 570.24 trillion, an increase of about 8.3% compared to 2024. Thus, the retail growth rate in June has suddenly decreased from 2 digits in April (11.2%) and May (10.2%), bringing the total retail growth of goods in the second quarter to only 9.0%, equivalent to the average of previous years. For the whole 6 months, the retail growth rate excluding price factors increased by 7.2%, higher than the same period in 2024 of 6.0% but also down from the 7.5% increase in Q1.

Compared to this year, the two sectors of Accommodation and Catering and Travel still maintained the growth rate in June, reaching 14.1% and 23.9% respectively compared to this year's average of 14.7% and 23.2%. However, these 2 segments only account for a low proportion, 12.0% and 1.3% of total retail sales of goods and services, respectively.

Meanwhile, retail sales of goods, which accounted for 76.5% of total retail sales, slowed down in June, spending grew by 6.7% compared to the 6-month average increase of 7.9%. This is a factor leading to the decline in the overall growth rate of Total Retail Sales of Goods and Services, most likely due to the impact of several new regulations on mathematics and taxes as well as the government's recent promotion of inspection and inspection activities against counterfeit and counterfeit goods.

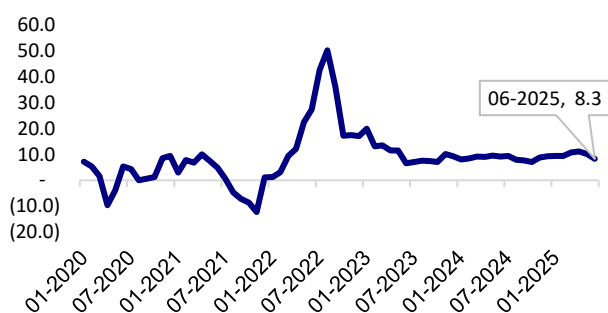
The number of foreign tourists in June reached 1.46 million visitors, up 17.1% over the same period in 2024. Although this is an impressive growth, the growth rate of foreign tourists is slowing, as June growth continues to be lower than the growth in the first six months of the year of 20.7%. In the first 6 months of the year, the country welcomed about 10.7 million foreign tourists, which is an important factor contributing strongly to the growth of service output and GDP growth

It is worrying that recently, Vietnam's main tourist markets including China, South Korea, Japan and Taiwan have all shown some signs of slowing down. The Japanese market accounts for the smallest proportion, about 3.5-3.7%, with an increase rate of only 10.2% in June compared to the 2025 average growth of 17.2%. Meanwhile, the Taiwan market accounted for about 6.0-6.5% of tourists, although maintaining 99.9% of visitors in the same period in 2024, but fell by 3.8% in June.

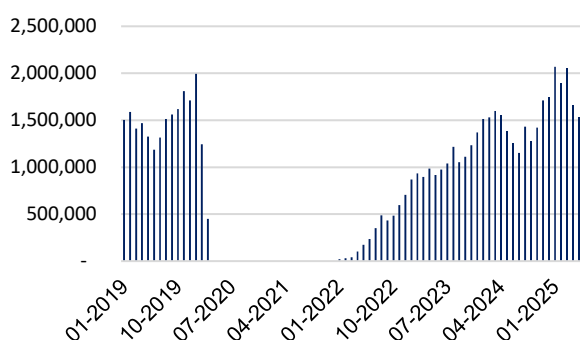
Meanwhile, the Chinese market is now Vietnam's largest source of tourists, accounting for about 25-26% of visitors, slowing down from the 2025 average of 44.2% to an increase of 27.5% in June. Although this increase is not too worrisome, this is a trend to pay attention to if Vietnam wants to maintain the development of the tourism industry.

Finally, the Korean market continued to decline. While it will decrease by an average of 3.2% in 2025, the number of tourists coming from here will decrease by 8.0% in June alone. This is a bad sign, when South Korea accounts for about 20.5-21.0% of the total number of tourists to Vietnam, and this is a traditional market with high cultural similarities, as well as many Koreans who have come and established and worked in Vietnam since the 2000s.

Growth in total retail sales of goods and services yoy (%)



International arrivals



Source: General Statistics Office, GTJA RS team

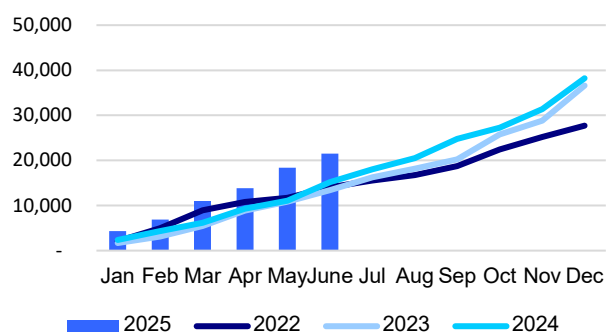
FDI

By the end of Q2, total FDI registered in the Vietnamese market reached an impressive figure of about 21.5 billion USD, up about 41.7% over the same period in 2024. Most FDI is still for new projects and capital increase for existing projects, with a total registered value of 18.2 billion USD. The rest is FDI registered to buy capital in domestic enterprises and projects. However, FDI of new projects in the first 6 months of the year reached 9.2 billion USD, slightly lower than the 9.5 billion USD recorded in the same period in 2024, showing that new investors are maintaining a cautious attitude in opening facilities in Vietnam. Meanwhile, investors who have disbursed here still maintain trust.

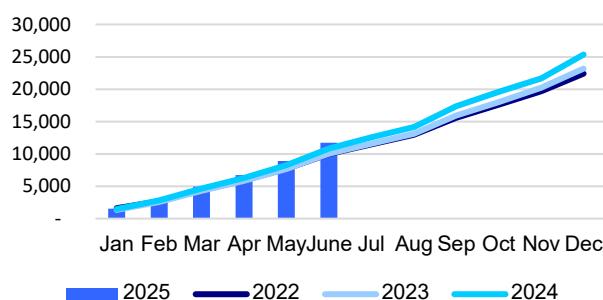
The FDI disbursement rate in the first 6 months of the year also improved slightly, reaching 8.12% growth over the same period in 2024 and recording a disbursement of 11.72 billion USD. This

growth rate is equivalent to the growth rate of the same period in 2024 (8.18%) and improves compared to 7.13% at the end of Q1, showing that businesses and government agencies are working very drastically and dynamically to expand production and business in Vietnam.

Cumulative annual registered FDI (million USD)



Cumulative annual FDI disbursement (million USD)



Source: Ministry of Planning and Investment, GTJA RS team

Import & Export

With the US reciprocal tariffs postponed until early August 2025, businesses in Vietnam have received many orders from partners to take advantage of the low tax period. Along with the increase in production, import and export activities in Q2 also prospered. Accordingly, the total import and export turnover in the quarter reached 229.1 billion USD, up about 10% compared to Q1 of 202.4 billion USD and up about 20.5% over the same period in 2024.

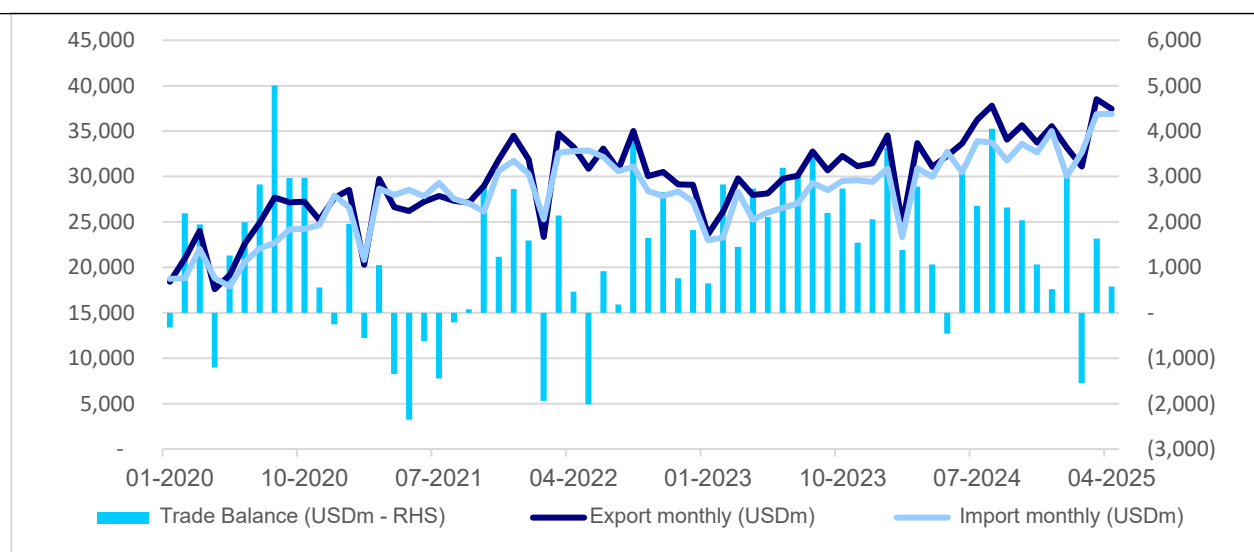
In June alone, exports also reached 38.5 billion USD, up 17.4% over the same period in 2024 and imports reached 36.7 billion USD, up 20.4%. Thus, in June, Vietnam recorded a trade surplus of 2.9 billion USD, which is a high surplus this year only losing to the 3.1 billion USD recorded in January.

Accumulated in the first 6 months of the year, exports reached 219.3 billion USD, up 15.5% over the same period in 2024 while imports reached 212.2 billion USD, up 19.0%. With this result, the total trade surplus in the first 6 months of the year reached 7.2 billion USD, lower than the 11.6 billion USD achieved in the same period in 2024.

Although there is a decline due to a sharp increase in imports, it is likely that exports will also increase accordingly, helping Vietnam's trade balance continue to improve in the coming period. However, it should also be noted that Vietnam's current trade surplus is only about 1.7% of total trade turnover, showing a considerable dependence of exports on imports as well as limitations in the participation of domestic enterprises in the supply chain.

In addition, about 66% of imports and 73% of exports come from FDI enterprises, whereby FDI enterprises exported about 161 billion USD and imported 139 billion USD in the first 6 months of the year, leading to a surplus of about 22 billion USD while domestic enterprises will have a trade deficit of nearly 15 billion USD. This shows that Vietnam does not benefit much from trade surplus,

leading to limitations in its ability to build foreign exchange reserves compared to other countries such as China.



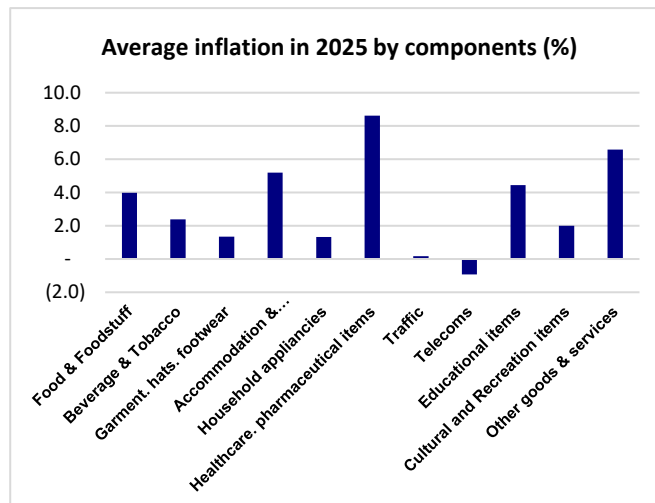
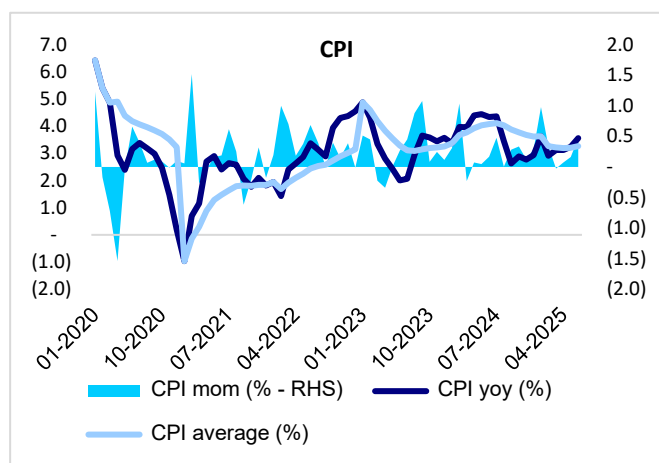
Source: Vietnam Customs, General Statistics Office, GTJA RS team

Inflation

Inflation in Vietnam in June tended to continue to increase, reaching 3.56%. Thus, after 6 months, Vietnam's average inflation is at 3.27%, which has not put great pressure on monetary policy and domestic macro indicators.

The field of drugs and medical services is still the segment with a high price increase in 2025, with an average increase of 12.93% in June and an average of 9.4% in 6 months. In addition, price increases in housing and building materials also remained in second place, up 7.23% in June and 5.38% in the first 6 months of the year. The sector with the highest weighting is Food, which accounts for 33.6% of the CPI weight, which increased more gently in June, reaching 3.01% compared to 3.72% in the previous month, but still maintaining a high average of 3.92%, putting certain pressure on the calculation of the national CPI index

As Vietnam continues to promote credit growth, relax fiscal and monetary policies to achieve a growth target of over 8.0% of GDP in 2025 and at the same time set the hinge for double-digit growth in the coming years, inflation may continue to be complicated if there are shocks in the international market. Currently, the problem of inflation also needs to be monitored, but it is not an urgent goal in the short term of the Government.



Source: General Statistics Office, GTJA RS team

Credit

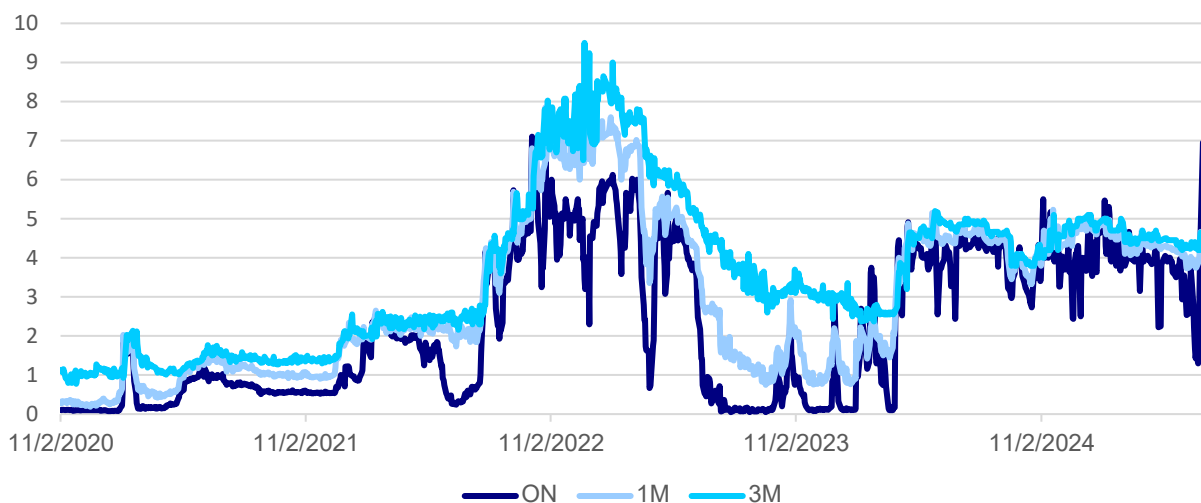
Credit growth continues to be a bright spot of Vietnam's economy. With the strong efforts of the Party, Government, SBV and businesses, credit growth at the end of June is estimated at 9.9% compared to the end of 2024, and about 19.9% over the same period in 2024. Disbursement and credit growth have strongly supported the economy, helping to achieve the impressive goals set. It is expected that in 2025, credit growth can reach 18-20%, which is a very high increase in recent years.

On the other hand, nominal GDP in 2025 is growing by about 11.3%, so credit growth is far outpacing nominal GDP growth. It is estimated that by the end of 2024, Vietnam's credit/GDP ratio is at about 134% of GDP according to the Governor of SBV, and at the current rate, this ratio will soon approach 143-145% of GDP by the end of 2025. A high credit/GDP ratio will reduce the room for monetary policy, as well as limit SBV's solutions in case of intervention in the economy.

In addition, according to updated data until around May 2025, Vietnam's capital mobilization growth is reaching about 4.2% from domestic organizations and individuals (excluding financial institutions) while credit is about 6.7%, indicating that mobilized capital is growing slower than credit by about 2.5%, leading banks to increase their dependence on short-term mobilization channels such as OMO and interbank, cause the risk of sharp fluctuations as well as cause the LDR ratio of the whole industry to reach a 5-year peak of 108% by the end of Q1/2025 according to a report by VIS Rating.

This led to the benchmark interest rate soaring at the end of June and remaining until mid-July, and only fell again after strong regulation from the State Bank. However, these risks are still present and can completely put pressure on the banking system if there are unexpected factors from outside.

Vnibor interest rate (%)



Source: Bloomberg Terminal, GTJA RS team

Exchange rate

The VND exchange rate this year tends to move in the opposite direction of the world. While the dollar weakened from the beginning of the year by about 9-10% until mid-July, the VND also depreciated by about 2.5-2.7%. This makes the VND the weakest currency in the foreign currencies of Southeast Asian countries recently. This comes from the fact that Vietnam has injected a large amount of money to support the economy, as well as the room to protect the exchange rate through regulating SBV's foreign exchange reserves is no longer as strong as in previous years.

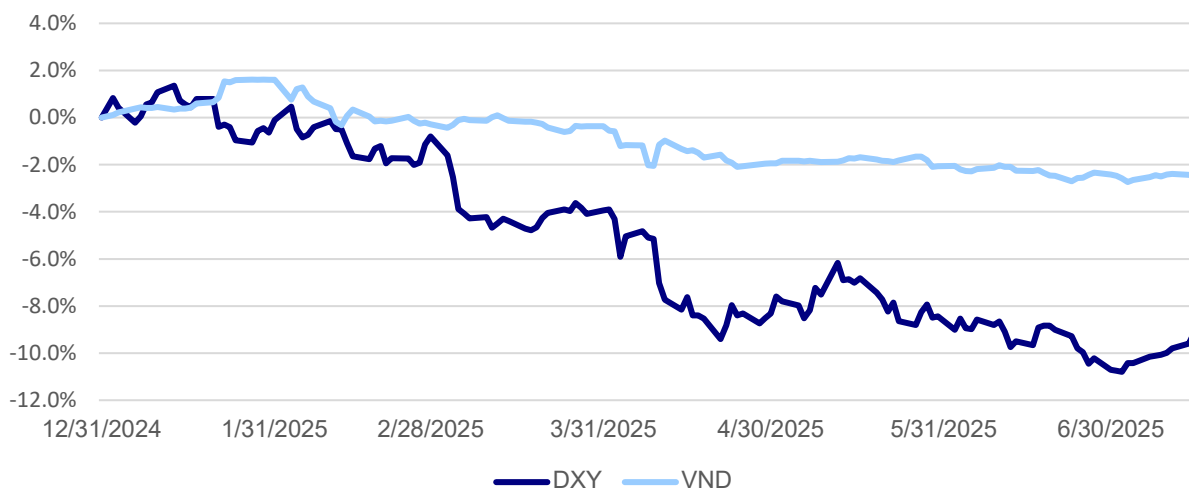
In addition, although Vietnam's trade balance is in surplus, the level of surplus is quite low compared to previous years. In addition, the surplus factor is mainly in the hands of FDI enterprises, which is a group of enterprises that can transfer profits to the country in specific situations, which also limits the ability of the VND to stabilize the exchange rate.

In addition, the possibility of an increase in USD yields or adverse fluctuations in the international market that cause investors to increase their holdings of safe-haven assets may cause the USD to appreciate sharply, putting pressure on the VND again.

Currently, it is forecasted that the VND exchange rate may depreciate by 3-5% in 2025.



Strength of currencies since the beginning of 2025



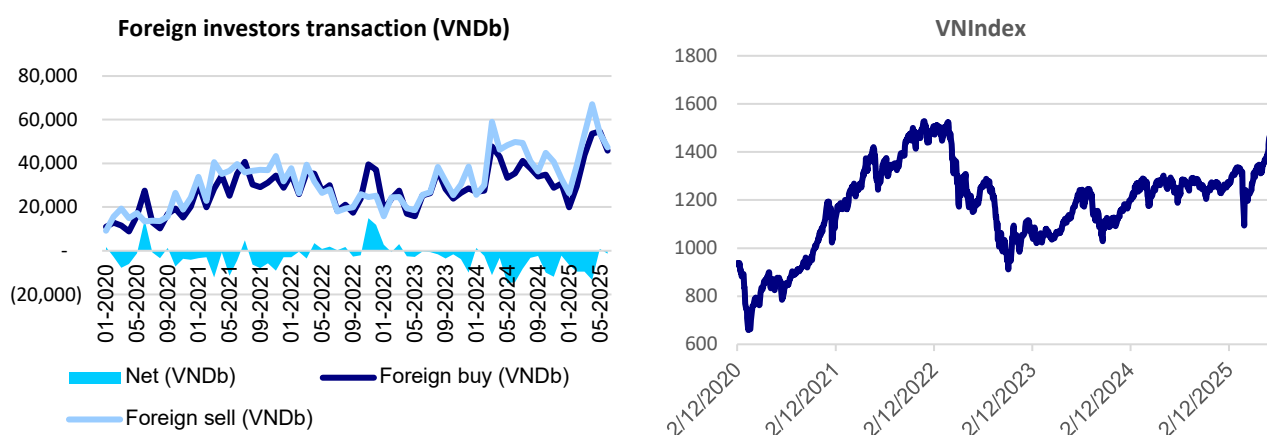
Source: Bloomberg Terminal, GTJA RS team

Stock market movements

Foreign investors returned to net selling on the Vietnamese stock market in June, with net selling at HOSE securities reaching about VND 1,382 trillion, after net buying of VND 896 billion the previous month. This is a slight net sell-off, indicating that investors are still confused between the developments of the Vietnamese stock market and considering choosing the right disbursement time to maximize profits. On the other hand, since the beginning of July, foreign investors have been net buying strongly again when it is reported that Vietnam is the second country to achieve tariff principles with President Trump.

The VN Index has recovered strongly after a period of volatility in early April. As of mid-July, VNIndex reached about 1460.7 points, up 15.3% compared to the beginning of the year and approaching the peak reached in mid-2022.

Currently, foreign capital inflows back to the Vietnamese market are likely to be short-term capital inflows, serving the target of trading according to media information about tariff developments, and at the same time, there are some investors betting on the possibility of upgrading Vietnam to emerging market by FTSE Russell in September. In general, this capital flow is often unstable, and it tends to move in the short term if the profit trading targets are achieved, so it is not a reliable guarantee for the Vietnamese stock market.



Source: Bloomberg, Ho Chi Minh Stock Exchange, GTJA RS team

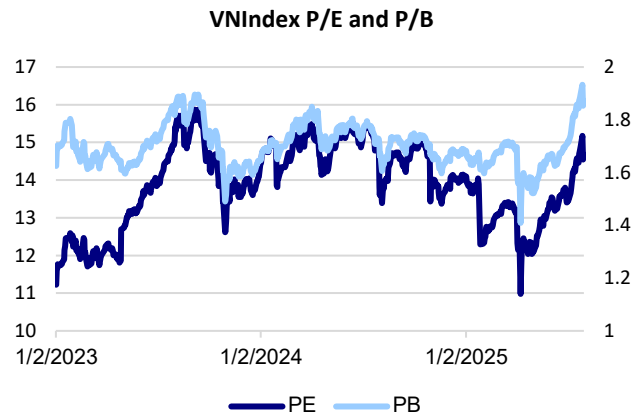
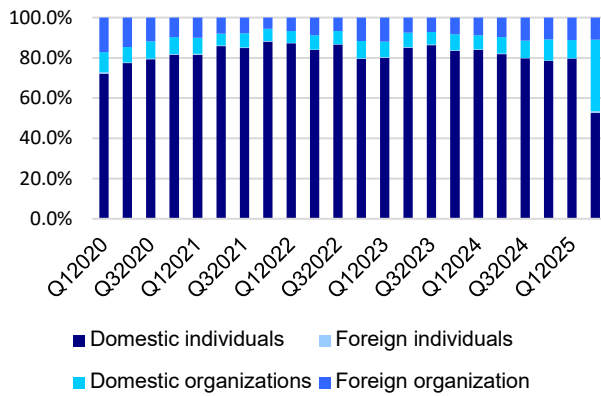
Currently, Vietnam's stock market is increasing based on three key drivers:

- Firstly, the positive view on the information about tariffs than previous decisions (20% for Vietnamese goods, 40% for transshipment goods compared to 46%)
- Secondly, the prosperous business results of many enterprises due to the government's policy of easing and disbursing public investment
- Third, is the expectation that FTSE Russell could approve Vietnam to the emerging market status.

Even so, the tariff issue is a rather complicated factor, and President Trump tends to change quite quickly, so Vietnam, although it has some small advantages, is still not a long-term sustainable factor if investors want to hold on for the long term. Currently, according to the report of the advisory group to the Prime Minister, the post-negotiation tariff level may cause Vietnam's exports to the US to decline by about 43 billion USD, equivalent to 1/3 of exports to the US. So, if there is no more positive agreement, this will probably be a factor to be cautious of if the plan disburse.

In addition, the current FTSE Russell upgrade depends on whether Vietnam's NPF solutions are widely approved to replace the CCP mechanism expected to be implemented in January 2027. Normally, FTSE Russell will likely extensively survey market members such as Vanguard, BlackRock, JaneStreet or large custodians such as Standard Charter, HSBC, Citi and this will be key to the question of whether Vietnam can be upgraded or not.

In general, Vietnam is standing at the gateway of great opportunities, but it seems that the market is far ahead of the positive information, with the current valuation is not too cheap. Therefore, in case of strong fluctuations due to short-term negative impacts from the outside, investors can consider increasing disbursements, while if maintaining the current status, it is recommended that investors continue to hold the position but limit increasing their holdings in the context that the market may be too positive. Especially when the transactions of domestic institutions (most likely businesses) are tending to far exceed the past rate and sometimes even surpass the domestic individual investors, which was the driving force holding the market in the previous time.



Source: Bloomberg Terminal, FiinPro, GTJA RS team



STOCK RATING

Reference Index: VN – Index.

Investment term: 6 to 18 months

Recommendations	Definition
Buy	Expected Profit Margin $\geq 15\%$ Or a company/industry with a positive outlook
Accumulate	Expected profit margin between 5% and 15% Or a company/industry with a positive outlook
Indifferent	Expected profit margin from -5% to 5% Or a company/industry with a neutral outlook
Reduction of Proportion	Expected profit margin from -15% to -5% Or a company/industry with a less positive outlook
Sell	Expected profit margin less than -15% Or a company/industry with a less positive outlook

INDUSTRY RANKINGS

Reference Index: VN – Index

Investment term: 6 to 18 months

Classification	Definition
Superior	The average profit margin of the industry compared to VN-Index is greater than 5% Or positive industry outlook
Indifferent	The average profit margin of the industry compared to VN-Index is from -5% to 5% Or a neutral industry outlook
Inefficiencies	The average profit margin of the industry compared to VN-Index is less than -5% Or the outlook for the industry is less positive

RECOMMEND

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