Macro momentum carries into H2 as earnings take over

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Macroeconomics:

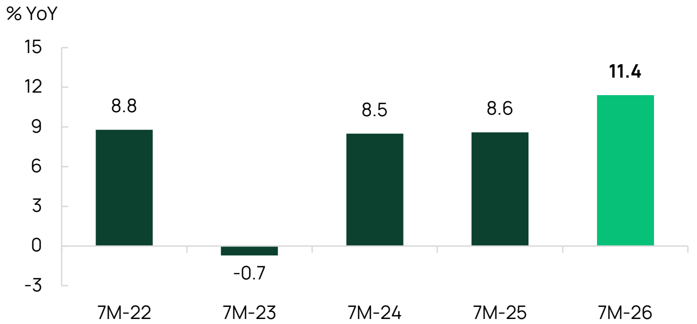
- Industrial production rose 14.5% YoY in July and 11.4% in 7M26, with manufacturing employment up 3.3%, evidence of new capacity rather than fuller utilisation.
- Realised FDI of $15.2bn (+11.8% YoY) was the strongest 7M in five years, with 82.6% deployed into manufacturing, deepening the investment cycle.
- CPI fell MoM for a second consecutive month, confirming the May peak; the 7M26 average of 4.4% sits below the 4.5–5.0% ceiling, reopening policy room.

Stock Market:

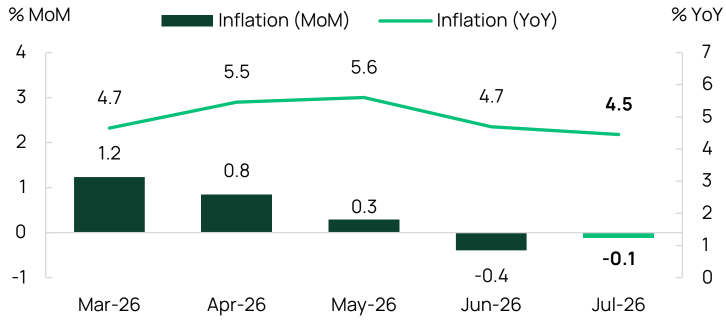
- The VNI fell 6.3% MoM in USD terms, but with capacity formation accelerating and inflation past its peak, the repricing was external, not fundamental.
- VNI earnings rose 45% in Q2 and 47% YoY in H1, with nearly two-thirds of companies in profit; the disconnect with prices is a flow story, not an earnings one.
- FTSE inclusion lands in September; lighter foreign positioning after July's selloff leaves the upgrade as the clearest near-term support for flows.

CHARTS OF THE MONTH

Industrial Production: Strongest Seven Months in Years



Inflation: Easing From May Peak



Monthly Insights

July offered a test the market rarely sets this cleanly: some of the strongest production data in years against the index's sharpest monthly fall since March. The domestic question, whether the first half's growth composition could hold its momentum, was answered clearly. Capacity formation accelerated through every channel, and inflation fell MoM for a second consecutive month, confirming May as the peak.

Manufacturing gave the clearest reading. IIP rose 14.5% YoY in July and 11.4% in 7M26, the strongest seven-month run in years, with breadth holding across metals, motor vehicles and electronics. PMI climbed to a five-month high of 52.9, corroborating the official series. The more telling number is manufacturing employment, up 3.3% YoY: firms are adding people and plant, not just running existing capacity harder. Capital deployment tells the same story from two directions. Public investment disbursement rose 25.9% YoY in July, taking 7M26 to 39.0% of the annual plan, with the usual year-end acceleration still ahead. Realised FDI of $15.2bn was the strongest seven-month total in five years, up 11.8% and 82.6% directed to manufacturing, while registered FDI rose 58.0% to $38.1bn. Domestic and foreign capital are being committed to the production base simultaneously, and at scale.

Imports are where that build shows up first. Import growth of 34.8% YoY in 7M26 ran well ahead of exports at 21.7%, swinging the trade balance from a $10.4bn surplus a year earlier to a $20.5bn deficit. The composition defuses most of the alarm: 94.1% of imports were production inputs, led by electronics and computer components, up 65.9% to $135.8bn. This is the investment cycle in transit rather than consumption outrunning income, though the import build will need to convert into exports for the external accounts to rebalance. Retail sales, up 13.1% in 7M26 and 7.5% in real terms, remain steady support rather than the swing factor.

Inflation was the month's most important quiet release. CPI fell 0.1% MoM, a second consecutive decline that has taken more than a point off May's 5.6% YoY peak, and the 7M26 average of 4.4% sits below the government's 4.5–5.0% ceiling. Core inflation at 4.6% and utility costs still warrant monitoring, but the direction has turned: policy room that looked compressed in May is reopening just as the investment cycle asks more of it.

The index spent July trading the world rather than Vietnam. The VN-Index fell 6.3% in USD terms to close at 1,735.8, with the damage concentrated in the week to 24 July, a 5.7% drop on Middle East risk, oil and US trade-policy headlines. The recovery was quick, with the index reclaiming 1,700 by 29 July, though foreign investors net sold roughly $430mn on HOSE and breadth stayed uneven. The second half therefore starts constructive but more selective. FTSE implementation in September, lighter foreign positioning after months of net selling and reopening policy room all point towards a more positive outlook for the index in the coming months.

Key Indicators

Item	Unit	2021	2022	2023	2024	2025E	2026F
GDP	$bn	366.1	408.8	430.0	476.3	514.0	561.8
Real GDP Growth	%	2.6	8.0	5.1	7.1	8.0	9.3
Services Growth	%	1.2	10	6.9	7.4	8.6	9.5
Agriculture Growth	%	2.9	3.4	2.6	3.3	3.8	4.0
Ind'l and Const'n Growth	%	4.1	7.8	3.5	8.3	9.0	10.5
Retail Sales Growth	%	-3.8	10.2	8.3	9.0	9.2	10.0
Prices							
CPI (Average YoY)	%	1.8	3.2	3.3	3.6	3.3	4.0
Money, FX and Interest Rates							
Money Supply M2	%	8.9	6.2	12.5	12.7	15.0	12.5
Average 12M Deposit Rate	%	6.0	8.0	5.0	5.0	5.8	6.3
5-yr VGB	%	0.9	4.7	1.6	1.4	3.3	3.5
VND:$	$1	22,800	23,550	24,250	25,450	26,300	27,310
External Sector							
Trade Balance	$bn	3.3	12.4	28.0	24.4	20.0	25.0
Current Account	$bn	-8.1	1.4	25.8	30.5	34.5	40.0
Current Account / GDP	%	-2.2	0.3	6.0	6.4	6.7	7.1
FDI Registered	$bn	38.5	27.7	36.6	35.0	38.4	41.9
FDI Disbursement	$bn	19.8	22.4	23.2	25.4	27.6	30.1
FX Reserves	$bn	106.5	85.0	89.0	80.0	78.0	80.0
Public Debt, Fiscal Balance							
External Debt	$bn	138.8	141.2	138	140.3	151.0	168.54
Government	$bn	47.9	48.8	44.4	44.5	47.8	50.0
Enterprises (incl. FDI)	$bn	90.9	92.4	93.6	95.8	103.2	118.54
External Debt (% GDP)	%	37.9	34.5	30.3	30.3	29.4	30.0
Fiscal Balance (% GDP)	%	-4.0	-4.0	-3.6	-3.6	-4.2	-4.0

All forecasts are Dragon Capital estimates

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-Jul-25	31-Jul-26	31-Jul-25	31-Jul-26	31-Jul-25	31-Jul-26	31-Jul-25	31-Jul-26
Market cap ($mn)	247,777	312,912	15,463	17,608	55,052	47,286	318,293	377,806
Number of stocks	390	403	305	299	888	822	1,583	1,524
Number of large cap stocks (> $400mn)	81	81	13	11	20	18	114	110
Stocks with no room for foreigners	66	58	101	122	288	389	455	569
Market cap of stocks with no room ($mn)	34,864	7,608	2,678	3,008	21,414	22,312	58,955	32,929
Share of Market Cap with No Room (%)	14.1	2.4	17.3	17.1	38.9	47.2	18.5	8.7

Top 25 Companies by Market Cap

No	Company	31-Jul Price (VND)	Price YTD (%)	Mkt Cap ($m)	Wt in VNI (%)	PER 2024 (x)	PER 2025 (x)	PER 2026E (x)	PBV 2024 (x)	PBV 2025 (x)	PBV 2026E (x)	Yield 2024 (%)	Yield 2025 (%)	Yield 2026E (%)
1	VinGroup	214,100	26.2	63,154	20.20	13.0	115.2	52.2	1.1	8.9	9.2	0.4	0.2	-
2	Vinhomes	148,100	24.0	23,116	7.40	5.0	11.7	10.1	0.8	2.1	2.0	0.4	0.2	-
3	Vietcombank	59,300	4.0	18,829	6.00	17.0	15.6	14.0	2.6	2.1	1.9	-	0.8	-
4	BIDV	38,000	-1.2	10,513	3.40	13.1	11.8	11.0	1.8	1.6	1.4	0.0	1.2	-
5	Viettel Global Investment	81,100	14.6	9,381	-	49.1	23.2	22.4	8.0	5.3	0.0	0.4	1.9	-
6	VietinBank	30,800	-12.5	9,091	2.90	8.7	8.8	6.6	1.3	1.5	1.2	-	0.9	-
7	Techcombank	28,950	-15.3	7,796	2.50	8.1	10.1	7.4	1.2	1.5	1.1	3.0	2.9	2.8
8	VP Bank	24,800	-11.9	7,477	2.40	9.2	9.3	6.5	1.0	1.3	1.0	5.2	1.8	4.6
9	Masan Consumer	141,000	-21.1	7,005	2.20	23.0	34.8	24.2	16.7	12.8	8.7	12.4	1.2	2.6
10	Hoa Phat Group	21,700	-7.9	6,962	2.20	13.9	12.9	6.6	1.5	1.5	1.2	-	0.0	2.1
11	MB Bank	22,500	-7.5	6,887	2.20	5.8	7.5	5.9	1.1	1.4	1.1	2.1	1.0	-
12	PetroVietnam Gas	68,600	-5.3	6,290	2.00	15.2	15.7	12.0	2.6	2.6	2.3	8.7	2.9	5.2
13	LienViet Post Bank	51,800	31.1	5,880	1.90	8.5	10.3	11.9	1.9	2.5	2.6	-	6.0	-
14	Vinpearl	79,600	-15.5	5,425	1.70	-	153.4	33.4	-	4.6	3.5	-	-	-
15	Airports of Vietnam	39,200	-19.8	5,336	-	29.1	18.0	17.7	4.6	2.5	1.8	-	0.0	-
16	Sacombank	71,300	22.9	5,108	1.60	6.9	18.4	20.9	1.3	1.8	2.1	-	-	-
17	Vinamilk	60,900	2.8	4,837	1.50	14.1	14.7	13.9	3.7	4.0	4.1	6.2	8.8	7.1
18	Asia Commercial Bank	21,900	5.9	4,831	1.50	6.5	7.8	6.9	1.3	1.3	1.1	3.4	3.6	1.4
19	Binh Son Refining	25,350	57.5	4,824	1.50	112.0	15.5	4.9	1.3	1.3	1.5	3.1	-	1.7
20	HD Bank	25,200	-15.2	4,793	1.50	7.0	9.0	6.3	1.6	2.0	1.3	3.3	-	-
21	FPT Corp.	67,100	-29.0	4,371	1.40	30.3	18.2	11.5	7.3	4.4	2.7	1.5	2.8	4.6
22	Techcom Securities	41,000	5.8	4,323	1.40	23.8	18.9	17.2	3.5	2.4	2.3	1.3	-	-
23	Mobile World Investment	69,900	-19.7	3,920	1.30	23.3	18.3	9.8	3.1	4.0	2.5	0.8	1.1	1.4
24	Masan Group	66,100	-14.2	3,668	1.20	50.4	27.1	12.4	3.3	3.2	2.2	1.7	0.8	0.9
25	Vietjet Air	125,000	-22.3	3,653	1.20	38.6	53.3	307.6	3.2	4.6	4.7	0.1	-	-

All forecasts are Dragon Capital estimates

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