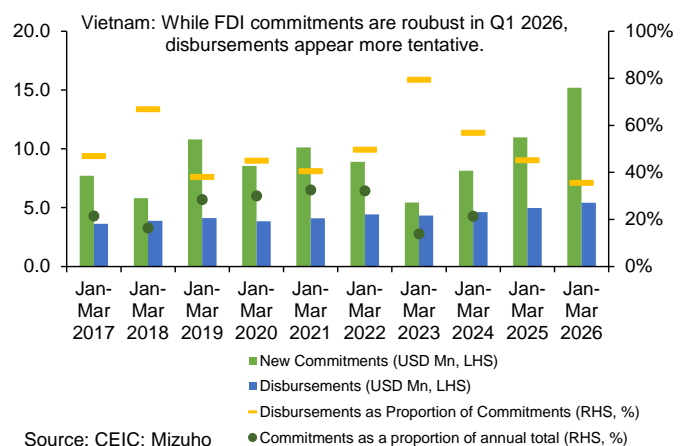
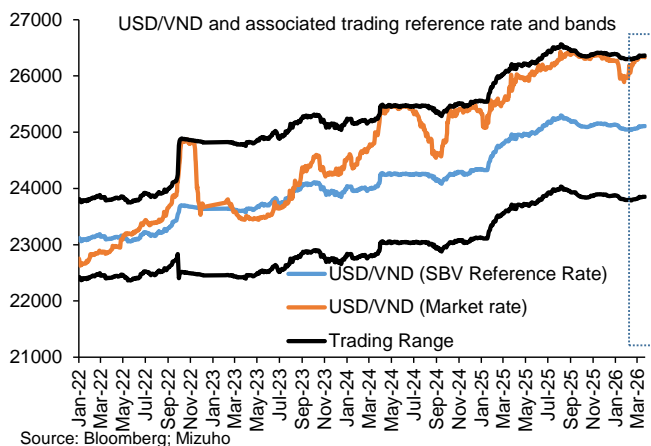
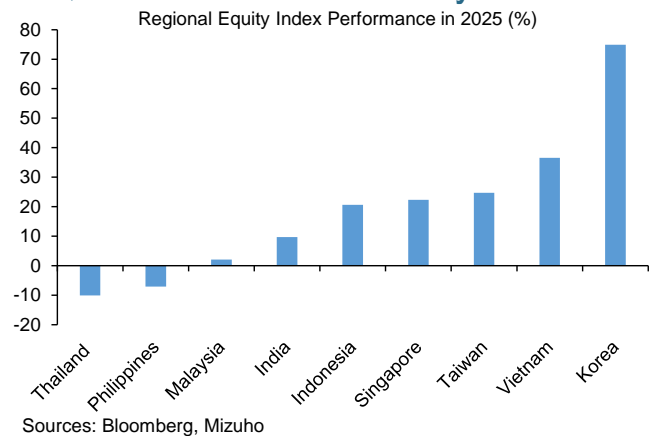
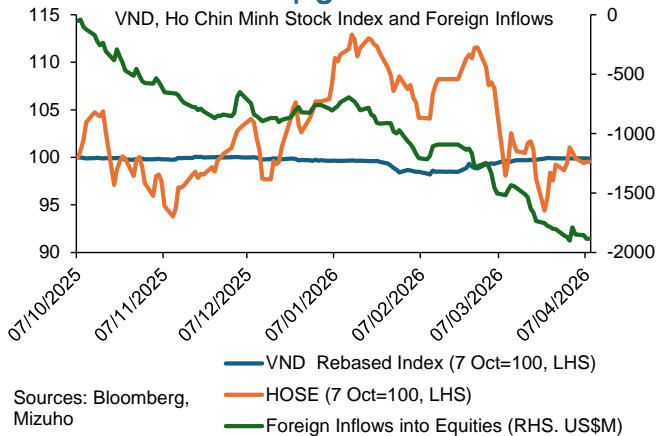


Vietnam: FTSE Upgrade - Structural Reform, Not Near-Term Catalyst



- This morning, Vietnam was affirmed by FTSE Russell that they **remain** on track for **reclassification from frontier status to secondary emerging market status**. It should be noted that this upgrade announcement was **already made on 7 October 2025**.
- Despite the upgrade, **foreign outflows from equities persisted** as a stellar run-up in equities that ranks only behind Korea in 2025 remain domestically driven. Notably, significant global risk off sentiment on the back of the Iran war also led to a **flat performance for equities since the FTSE’s announcement last October**.
- To be clear, the **upgrade will only be implemented in September 2026** and in fact implementation will be in **four tranches in a back loaded manner** with 70% being added via two tranches in June and September 2027.
- As such, even as **some front running effects** may occur in the very near term which is further **complicated by the current relief rally** from the ceasefire, more durable tailwinds may only be realised in the medium term accompanied by structural reforms such as centralised clearing systems and linkages to global brokerages.
- **Deeper capital markets** will provide a more diversified and stable capital base that allows for better retention of FDI proceeds and local fund raising rather than relying on external financing for FDI expansion. Wider availability and liquidity of financial instruments to mitigate risks would also allow firms to manage volatility rather than rely on centralised intervention. These developments if actualised would provide firmer VND backstop in the long run.
- That said, in the term, the current US/Israel Iran war has left **the VND with only 20-40 bps to the upper limit of the SBV’s trading band**. Amid low FX reserves coverage, the ceasefire provides breathing room for the SBV to **stabilise the VND** while these medium-term reforms are carried out. The upgrade certainly does not eradicate headwinds as emerging market peers such as Philippines, Indonesia, Thailand and Malaysia can attest to.

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