

10/21/2025 09:56:19 [BFW] Bloomberg First Word

Vietnam's Market Selloff Offers Buying Opportunity: Street Wrap

By Nguyen Kieu Giang

(Bloomberg) -- Analysts see an opportunity to buy the dip after a selloff in Vietnam's stocks on Monday driven by renewed concerns over tighter credit. While margin calls may continue to weigh on the market in the short term, the underlying fundamentals and the country's economic growth prospects remain intact, they say.

- The benchmark VN Index tumbled 5.5% at the close on Monday, the most since April 8
- Outstanding loans at securities companies, including margin and prepaid sales, were estimated at about 383 trillion dong (\$14.5 billion) at the end of the third quarter, a record high, according to a report from news website Nhip Song Thi Truong
- Read: Vietnam Stocks Sink 5% on Fears of Renewed Credit-Market Squeeze

ANALYST COMMENTS

Ruchir Desai, a fund manager at Asia Frontier Capital in Hong Kong

- Monday's selloff "was an over-reaction," given that memories of the 2022 corporate bond crackdown, which led to a market and economic slowdown, were still fresh in investor minds
- Since the government wants to focus on economic growth, it is unlikely that they will upset this ongoing momentum
- "The market should stabilize today. Any further weakness is a buying opportunity"

Tyler Manh Dung Nguyen, chief market strategist at Ho Chi Minh City Securities

- It is worth noting that these inspection results were originally issued in August
- Several corporates, such as Masan and ACB, have clarified that the findings have had minimal impact on their current operations, and many of these bonds have already been paid off
- "As the national election period approaches, renewed chatter on issues like this usually surface, and as in any market, including Vietnam, sentiment tends to be particularly sensitive during such times"
- The VN Index may find its "equilibrium" as soon as this week
- "We still see a constructive outlook short-mid term, as the broader bull trend remains intact amid ongoing legal and structural reforms"
- "While short-term sentiment may be temporarily affected, this presents an attractive accumulation opportunity for investors, as the underlying fundamentals and long-term growth prospects remain solid"

Nguyen Anh Duc, head of institutional brokerage at SBB Securities

- High leverage also weighed on market as investors are vulnerable to any further bad news and "it's more like a panic run-away when stock prices fall below a certain level"
- The major negative impacts of bond issuance violations would have been factored in from 2022
- The tailwind investigation, which may raise some negative headlines, is not a fundamental risk as of now. The corporate bond risks have been well captured and improvements were seen since then
- "The panic-selling may go on, many accounts are facing margin calls after yesterday's crash. But we'll need to see the buying demand at low price"

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