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US Tariffs May Hit Vietnam's Textile, Logistics: Street Wrap

By Nguyen Kieu Giang

(Bloomberg) -- Vietnam's stocks are likely to come under pressure as a fresh round of US tariffs weigh on trade-dependent sectors including textile and logistics, according to analysts.

- The US has proposed to impose up to 35% tariffs on the Southeast Asian nation's goods, which may be lowered to 20% if a deal is reached
- The VN Index falls as much as 1.3% in pre-market trading on Thursday
- NOTE: Vietnam Says Prepared to Engage With US Over Tariffs

Read more: US Targets China, EU With New Tariffs Citing Overcapacity (5)

ANALYST COMMENTARY

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

- Initial reaction of the market "will be negative" given the uncertainty this causes over future tariff levels
- Most affected sectors will be trade dependent names: ports, logistics, industrial parks, garments and fishery exporters
- Vietnam had successfully negotiated the April 2025 tariffs lower and is in the midst of discussing a trade deal with the US, which can support any further pressure on valuations
- Likes Vietnam banks as their valuations have become "very attractive," and further correction will be a buying opportunity

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

- Expects the Vietnamese equity market to come under renewed selling pressure, given the unexpected tariff announcement
- The announcement comes as a surprise considering the substantial progress Vietnam has made in addressing US demands
- Export-oriented sectors, particularly textiles and garments, seafood, furniture and industrial parks, are likely to face the most immediate pressure, given concerns over export competitiveness, corporate earnings and future FDI inflows
- Securities stocks could also be vulnerable amid deteriorating risk appetite, while banks may face indirect pressure from concerns over economic growth and asset quality
- Domestic-oriented and defensive sectors, particularly utilities and consumer staples, could prove relatively resilient, though that depends on the final tariff rates, implementation timeline and the outcome of further bilateral negotiations
- Given already depressed valuations and subdued investor positioning, any selloff is unlikely to reach the magnitude of the April 2025 tariff shock; near-term volatility will remain elevated

Pham Luu Hung, chief economist at SSI Securities

- The proposal for Vietnam is "broadly consistent with our existing base case, although it defines a clearer downside scenario"
- "The 20% outcome is not yet secured, but it now has a clear official pathway and remains broadly where we expect negotiations to settle"

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- Vietnam is not being singled out procedurally, but its 35% fallback is the highest among the 14 economies, while the 15ppt gap between the fallback and potential 20% negotiated rate is also the widest
- The proposal is also not immediate. Written comments are due on 5 January and public hearings begin on 25 January, meaning the duties are unlikely to take effect before late January. This leaves further room for negotiations and possible adjustments to rates and product coverage

Quynh Cao, head of institutional business at VNDirect Securities Corp.

- “This is only a proposal”, so the new tariffs should not weigh on exports in the near term. However, a front-loading effect cannot be ruled out and warrants close monitoring
- Vietnam is at a “relative disadvantage” as it is one of only three economies with a high default rate that falls only upon signing an Agreement on Reciprocal Trade. Without the agreement, its 35% rate would be significantly higher than those of its Asean competitors (18–25%)
- Vietnam currently faces a 12.5% rate (the forced-labor tariff) and a separate Section 301 investigation into intellectual property practices remains open
- Another impact to watch is on the exchange rate

Vu Minh Duc, an associate director in the research department at Vietcap Securities

- “The index is expected to re-test its medium-term support area around 1,660 points”
- Still, the market’s attractive valuation at this level will stimulate buying activities, which could help the VN-Index recover toward the end of the day

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