

Vietnam's Bonds, Dong Drop as Funds React to Global Turmoil

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Vietnam's bonds and currency dropped Friday on speculation foreign funds pared local holdings as Lehman Brothers Holdings' bankruptcy this week roiled global financial markets.

The dong weakened by the most in a month as Vietnam's benchmark VN-Index of stocks slumped for a second week. The US government boosted efforts to ease the credit squeeze as Bank of America bought Merrill Lynch and the Federal Reserve took control of American International Group. Vietnam's bonds fell by the most since July 25.

"Foreign investors have been selling more and more," said Lai Tat Ha, head of currency trading at Hanoi-based Vietnam Technological & Commercial Joint-Stock Bank. "They may reduce holdings in emerging markets under the current financial situation."

The dong completed the worst week in almost three months. It declined 0.5 percent Friday to VND16,715 a dollar as of 4:56 p.m. in Hanoi, extending its weekly loss to 0.8 percent, according to data compiled by Bloomberg.

The yield on the government's benchmark five-year notes rose 23 basis points to 16.1 percent, according to a daily fixing price from 10 banks compiled by Bloomberg. Overseas investors sold

VND300 billion (US\$17.9 million) more Vietnamese shares than they bought this month, according to the Ho Chi Minh Stock Exchange's website.

Vietnam Development Bank sold VND50 billion (\$2.99 million) of the VND400 billion (\$23.93 million) of five-year notes it had planned to sell at an auction Friday, at a coupon of 15 percent, according to a statement from Hanoi Securities Trading Center, where the auction took place. The lender also planned to sell VND400 billion (\$23.93 million) of 10-year debt, for which it received no bids.

Source: Bloomberg