

## Vietnam bonds fall on speculation banks? investments will slow

**Vietnam's five-year bonds dropped, pushing the yield up by the most in a week, on speculation banks will reduce investments in the notes as they set aside cash for lending. The dong strengthened.**

Lenders may keep funds in reserve to meet any pickup in credit demand after the central bank lowered interest rates on June 29 for a fifth time this year to spur economic growth, according to ACB Securities Co. The government is seeking to boost the pace of expansion in 2012 to 6 percent, compared with 4.66 percent in the three months through June. The overnight interbank deposit rate rose 56 basis points, or 0.56 percentage point, to 4.97 percent today, signaling a decline in funds, according to data from banks compiled by Bloomberg.

Policy makers "will likely tend to focus on the economic growth target in the second half of 2012," Cao Tan Phat, a Ho Chi Minh City-based analyst at ACB Securities, wrote in a research note published yesterday. "As a result, with further monetary easing, depository institutions are encouraged to reserve their cash with expectations of increasing credit lines by the year-end, leading to limited funds for bond buying."

The yield on securities due in 2017 climbed five basis points, or 0.05 percentage point, to 9.78 percent, according to a daily fixing rate from banks compiled by Bloomberg. That is the biggest increase since June 22.

The dong strengthened 0.2 percent to 20,837 per dollar as of 2:30 p.m. in Hanoi, compared with 20,878 at the end of last week, according to data from banks compiled by Bloomberg. The central bank set the reference rate at 20,828 per dollar, unchanged since Dec. 26, according to its website. The currency is allowed to fluctuate by as much as 1 percent on either side of the official rate.

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