Vietnam bond yields drop to four-year low as cash boosts demand

Vietnam?s three-year bonds gained, pushing the yield to a four-year low, as an increase in cash at banks bolstered demand for debt. The dong was little changed.

The overnight interbank deposit rate fell for a sixth day, signaling cash in the banking system rose as lending slowed. Credit growth may be low in the early months of the year, Prime Minister Nguyen Tan Dung wrote in his New Year message posted on the government?s website on Jan. 1.

?Higher trading turnover together with decreases in yields is clear evidence of high demand for bonds,? ACB Securities analyst Le Huynh Nhut Hai wrote in a research note today. ACB Securities expects gains from the bond market in the first quarter, according to the note.

The three-year bond yield fell seven basis points to 8.38 percent, according to a daily fixing from banks compiled by Bloomberg. That?s the lowest level since Feb. 16, 2009. The overnight rate dropped 20 basis points to 1.8 percent.

The State Treasury sold 156 trillion dong ($7.5 billion) of debt in 2012, a 92 percent increase from 2011, Thoi Bao Ngan Hang newspaper reported Jan. 18, citing official data. It plans to raise 30 trillion dong this quarter, according to the paper.

The dong traded at 20,853 per dollar as of 3:25 p.m. in Hanoi, compared with 20,848 on Jan. 18, according to data compiled by Bloomberg. The central bank set its reference rate at 20,828, unchanged since Dec. 26, 2011, according to its website. The currency is allowed to trade as much as 1 percent on either side of the fixing.
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