Vietnam Market Update

11th February 2010

The State Bank of Vietnam announced the devaluation of the Vietnamese Dong yesterday by 3.4% and capped banks' dollar deposits interest rates at 1% to avert the hoarding of US dollars by corporates.

The move is widely anticipated as the Vietnamese Dong has been under pressure despite last November's devaluation of 5%. This recent action by the central bank is expected to help in alleviating short term pressures from the trade deficit.

The stock market, Ho Chi Minh City Stock Exchange reacted positively to the devaluation, rising 1.84% to 499.94 points (Source: Bloomberg, VND) today as the devaluation will likely improve domestic liquidity conditions. From a stock perspective, the weakness in the Dong should benefit the exporters.

LionGlobal Vietnam Fund will continue to favour sectors which would benefit from the depreciation of the Dong as well as rising inflation such as the oil & gas, agriculture sectors etc. We also like domestic demand-focused sectors such as food & beverage, building materials companies etc. On a longer term basis, we expect infrastructure investment to remain resilient and our preferred exposures include port operators as well as engineering and construction companies.

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