ABSTRACT

From the boom in 2006-2007, the Vietnamese stock market had been recognized as the second attractive stock market in Asia (the first was Chinese stock market), the benchmark was fluctuated forth fold within two years. Especially, when VNindex reached the peak in March 2007, many warns that concerned to bubbles in the stock market and argued that the stock fever was caused by inefficient monetary policy, it needed to a tightening policy for both of domestic and foreign investors. The objectives of the study aims to detect the existence of rational bubbles in the Vietnamese stock market; beside that, an analysis of the impact among monetary policy and the movement of stock returns and also the response of the stock returns from the shock of monetary policy.

As the first objective, the study found that the rational bubbles were a consequence of the fever during 2006-2007 via the duration dependence test. The methodology to implement that test is to concentrate analysis the relation of each change in stock returns; technically, the movement of stock prices is randomly, if there are speculative rational bubbles in the market, the change of stock returns in every period has a significant relation.

Depending on the first objective, the fever was a concern for Vietnamese authorities; the State Bank of Vietnam (SBV) want to control that fever; they argued that the stock prices were overvalued, and they employed their instrument tools to calm down the public to avoid of an other soar in stock prices. But the reaction from the market was not expected and it led to a continuous decline in stock prices and dampened investors about the efficiency of those policies. The second objective was analyzed the relationship among monetary policy and the stock return, as well as the responses to the movement of each other. A VAR analysis was deployed to find the impact and responses of stock returns and monetary policy with only one-month lags of effect. The result shows that the stock returns could be well predicted by using the past information of monetary policy; but the SBV only observed the movement of stock returns to decide the change of exchange rate. All of the impacts among those variables (stock returns and monetary policy) are strongly in the second period.