

Wednesday July 11, 2012

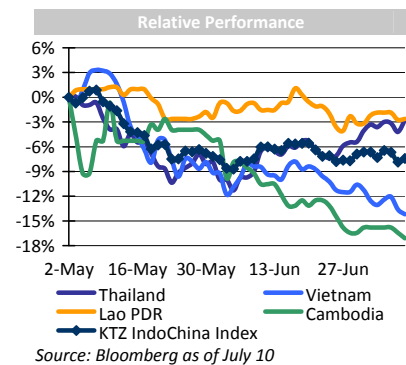
The Market

VNX Down in Thin Trade; LSX Edged Higher; CSX Hit New Low as PPWSA fell to IPO Price

VN Index continued to fall on Tuesday to close at 405.39, down 0.67%. PetroVietnam Gas (GAS) and Vietcombank (VCB), the influential contributors to the index fell 1.32% and 0.71%, respectively. The HCM market turnover was thin at VND 474 billion (USD 22.7 million), the second day that the trading volume fell below VND 600 billion. Foreign investors remained net sellers for the second day worth VND 32.1 billion (USD 1.5 million).

LSX Index edged higher to close at 995.48, up 0.11% with low turnover of LAK 131.3 million (USD 16,300). The gain was driven by BCEL which rose 0.71% to close at LAK 7,050. EdL Gen was unchanged at LAK 4,650. Meanwhile, the CSX Index dropped 0.79% to a new record low since its debut at 677.42 as PPWSA, the only listed company fell to its IPO price at KHR 6,300. The market turnover was thin at KHR 69.3 million (USD 16,700).

Global growth concerns sent the global shares lower in the recent weeks. However, foreign investors continued accumulating the Lao stocks worth LAK 826 million (USD 102,900) month-to-date, compared with LAK 2.42 billion (USD 300,000) net bought in June. Given the attractive valuation, we recommend accumulate the Lao stocks on the dip.



	Last	Chg	(%)
FTSE ASEAN	559	+7	+1.2
Singapore	2,965	+36	+1.2
Thailand	1,204	+17	+1.5
Malaysia	1,624	+4	+0.2
Indonesia	4,010	+25	+0.6
Philippines	5,240	-23	-0.4
Vietnam	405	-3	-0.7
Lao PDR	995	+1	+0.1
Cambodia	677	-5	-0.8

Source: Bloomberg as of July 10

Per USD	Last	Chg	(%)
Baht	31.64	-0.11	-0.35
Dong	20,880	0.00	0.00
Kip	8,021.00	-5.00	-0.06
Riel	4,086.95	-56.05	-1.35
Kyat	882.22	-0.87	-0.10

Per Baht	Last	Chg	(%)
Dong	660.03	+2.43	+0.37
Kip	253.55	+0.79	+0.31
Riel	128.50	+0.50	+0.39
Kyat	27.89	+0.08	+0.28

Source: Bloomberg as of July 10

The News

- **Thailand** - ITD Seeks Japanese Financing for Myanmar's Dawei Project
- **Myanmar** - Japanese Marubeni Nabs Order to Fix Myanmar Power Plant
- **Vietnam** - Business Confidence Index Slightly Increase in Second Quarter
- **Lao PDR** - Kip Deposits at Commercial Banks Soared 11.58% in 2011

Upcoming Market Holiday:

Thailand

- Aug 2: Asarnha Bucha Day
- Aug 13: Substitution for H.M. The Queen's Birthday

Corporate Action:

Lao PDR

1) EdL Gen's Right Offering (RO)

- June 21: Ex-Right Date (XR)
- June 22: Record Date
- June 26-July 6: Subscription Period
- July 31: New Shares Listing Date

2) EdL Gen's Public Offering (PO)

- July 4-11: Subscription and Payment Period

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Thailand - ITD Seeks Japanese Financing for Myanmar's Dawei Project

Italian-Thai Development Plc (ITD) expects to get soft loans from Japan to finance up to 75% of the US\$8.6 billion required for infrastructure development at its Dawei project in Myanmar. Premchai Karnasuta, Ital-Thai's president, is scheduled to visit Japan from July 16-17 and hopes to clinch financial support for the Dawei project from the Japan Bank for International Cooperation and the Japan International Cooperation Agency. Ital-Thai's Dawei Development Co (DDC) has been in talks with Japanese investors who have expressed keen interest in co-investing in infrastructure projects at Dawei such as the road from the Thai-Myanmar border to Dawei, said Somchet Thinaphong, DDC's managing director. "Japan has an infrastructure fund. We expect to get soft loans from the fund at very low interest rates," Dr Somchet said on the sidelines of a seminar about Myanmar hosted by Krung Thai Bank. He said the company plans to raise 75% of the total infrastructure cost in yen, with the rest a mixture of baht and US-dollar loans. *Earlier, Zaw Zaw, Max Myanmar's owner, said his group would gradually withdraw from the port and industrial complex, adding to doubts about its viability. Italian-Thai was in the process of revaluing Max Myanmar's investment and its 25% holding would be gradually whittled down if it did not inject more money into Dawei Development. DDC's registered capital of \$1 billion is not fully paid up. He said DDC has been in talks with four or five potential local partners. The company has said that by the end of 2015 it would open a \$1 billion, four-lane highway to Thailand, a \$1.2 billion deep-sea port plus infrastructure including a 400-MW power plant. ITD aimed to use liquefied natural gas (LNG) to fuel that power plant.*

Myanmar - Japanese Marubeni Nabs Order to Fix Myanmar Power Plant

Trading giant Marubeni Corp. has nabbed the first infrastructure order placed by Myanmar with a Japanese company since the isolated country began making dramatic economic and political changes following elections last year. Japanese companies have wrestled for a foothold in Myanmar. The inaugural order to a Japanese company is to address one of its most pressing problems — power shortages. Marubeni will overhaul the idled Yawma thermal power station about 20 kilometers from the largest city and commercial center of Yangon. The 34,000-kilowatt plant was completed in 2005 by Marubeni in partnership with manufacturing and infrastructure giant Hitachi Ltd. But the plant has sat idle for nearly two years as state-run operator Myanmar Electric Power Enterprise struggled with upkeep. Parts aged and the country's isolation made them difficult to replace. A Marubeni spokeswoman said the company will aim to finish the overall project by as early as April 2013. The repair order is small — worth only about ¥300 million (\$3.8 million) — but it could lead to related opportunities. *Marubeni Aerospace Corp is also considering Myanmar's satellite project which, once completed, would improve the country's information and telecommunication capability. Earlier this year, Japan forgave more than half of the country's ¥502 billion (\$6.18 billion) in debts to Japan. And last week, Japan said it would extend ¥1.6 billion to help Myanmar cope with power shortfalls. Japan will also help Myanmar to establish a stock market led by Daiwa Institute. The three Japanese giant banks, Bank of Tokyo-Mitsubishi UFJ, Mizuho Corporate Bank, Sumitomo Mitsui Bank, are stepping up their efforts to support Japanese corporate in Myanmar.*

Vietnam - Business Confidence Index Slightly Increase in Second Quarter

The increase in Vietnam's Business Confidence Index (BCI) shows the confidence of Vietnamese businessmen in the country's economic recovery, according the result of a recent survey made public on Monday. The BCI in the second quarter rose 7 scores over the previous quarter, and 20 scores over the third quarter in 2008 when BCI was first compiled. The survey was conducted by the financial information services company, WorldVest Base Vietnam. (1) Current economic situation: More than 44% of the enterprises said that Vietnam's economy gets better, nearly 36% said it remain unchanged, and more than 20% said it gets worse than the previous 12 months. (2) 12-month economic outlook: 71% of respondents believed it will be better, while only 3% are worried about the economic situation. (3) 12-month employee benefits outlook: Nearly 71% of the interviewees said their benefit will be increased next year, nearly 25% thought it will be retained, while 4.5% are worried about their decreasing benefit. (4) Recruitment: 51% have plans to maintain their human resources, 35% said they will recruit more employees, while 14% said they will reduce the number of staff. *Majority of businesses defined credit loan procedures and tax policy as their biggest challenges for the time being. We believe lending business has been tight as banks are reluctant to lend in the midst of rising NPLs. A recent report by the State Bank of Vietnam unveiled that credit extension to the economy in 2012H1 is only 0.17% which prompt Vietnam's National Financial Supervisory Commission reduces their FY2012 credit growth forecast from 15 - 17% to 8%. The central bank has tried to address the problem by urging banks to cut their lending rates to below 15% to support the credit market.*

Lao PDR - Kip Deposits at Commercial Banks Soared 11.58% in 2011

People are more confident about building their savings in Lao kip now that the value of the national currency has been stable for the past few years. According to an annual report from the Bank of the Lao PDR, the value of kip deposits at commercial banks in Laos reached 9,869 billion kip (equivalent to USD 1.2 billion), up 11.58%, in December 2011, accounting for about 45% of total deposits. The rest of the money deposited was in foreign currencies equivalent to 12,255.92 billion (equivalent to USD 1.5 billion), up 25.67%. The bank's 2011 report revealed that its total deposits amounted to 22,125 billion kip (USD 2.8 billion) as of the end of December, up by about 18% on the previous year. The value of deposits accounted for 34% of total GDP in the same period. Kip deposits at commercial banks soared to about 48% in 2010, up from 34% in 2009, before dropping to 42% in May last year. *Demand deposit accounts for a quarter of total deposits whilst the balances are saving and time deposits. We believe the high proportion of foreign currencies deposits would make it difficult for Lao to effectively implementing its monetary policy. Lao was successful in promoting the usage of Kip but the momentum has been slowing recently. Nonetheless, Kip is relatively stable against USD. The currency was traded at Kip 8,024/USD at the end of last year compared with Kip 8,021/USD currently. Year to date, Kip was trading in the range of Kip 7,980-8,034 /USD.*