

Thursday July 12, 2012

The Market

VNX Rebounded in Thin Trade; LSX Up for Second Day; CSX Unchanged at Record Low

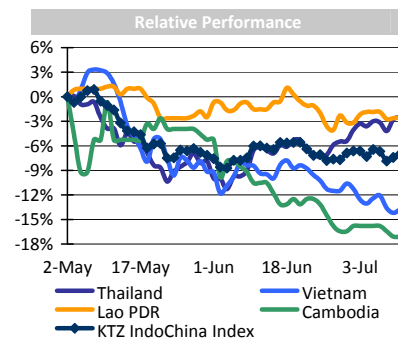
VN Index rebounded Wednesday to close at 407.28, up 0.47% from a 2.4% loss in the previous two days. Among the 30 blue chips in the VN30 Index, Tan Tao Investment (ITA), Vietinbank (CTG) and Saigon Securities (SSI) were among the top active gainers, adding 3.1%, 1.5% and 1.0% respectively. The HCM market turnover was at VND 337 billion (USD 16.1 million), the third day on thin trades. Foreign investors continue to offload the stocks worth VND 25.4 billion (USD 1.2 million) on a net basis. They had sold a net of VND 77.5 billion (USD 3.7 million) during the last three days.

LSX Index edged higher for the second day to close at 996.61, up 0.11% with low turnover of LAK 444.7 million (USD 55,400). The gain was largely driven by BCEL which rose 0.71% to close at LAK 7,100, the highest level since Jan 9. EdL Gen was unchanged at LAK 4,650. Meanwhile, the CSX Index was flat at the record low of 677.42. The market turnover was thin at KHR 67.8 million (USD 16,500).

Vietnam market is sluggish due to investors' concern on economic prospects and slow credit growth. In the Lao market, foreign investors continued to accumulate key stocks, particularly BCEL bank, which climbed 12% since April. We believe the market is now offering a buying opportunity for long-term investors.

The News

- **Vietnam** - Vietnam Eyes 8%-10% Credit Growth in H2/2012: SBV
- **Lao PDR** - External Debt to GDP Declined to 38.52% in 2011
- **Lao PDR** - Clinton Presses Laos for More Studies on Mekong Dam in Visit
- **Myanmar** - Investment Law May Take Effect as Early as September



	Last	Chg	(%)
FTSE ASEAN	561	+3	+0.4
Singapore	2,989	+25	+0.8
Thailand	1,209	+4	+0.4
Malaysia	1,629	+5	+0.3
Indonesia	4,019	+9	+0.2
Philippines	5,235	-5	-0.1
Vietnam	407	+2	+0.5
Lao PDR	997	+1	+0.1
Cambodia	677	0	0.0

Source: Bloomberg as of July 11

Per USD	Last	Chg	(%)
Baht	31.69	+0.05	+0.16
Dong	20,905	+25.00	+0.12
Kip	8,024.00	+3.00	+0.04
Riel	4,111.15	+24.20	+0.59
Kyat	888.24	+6.02	+0.68

Per Baht	Last	Chg	(%)
Dong	658.88	-1.15	-0.17
Kip	253.20	-0.35	-0.14
Riel	128.50	0.00	0.00
Kyat	28.03	+0.14	+0.51

Source: Bloomberg as of July 11

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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Vietnam - Vietnam Eyes 8%-10% Credit Growth in H2/2012: SBV

Vietnam central bank is aiming for a credit growth of 8%-10% in the last 6 months of this year to fuel the slowing economy in line with the government's direction after a sluggish credit growth of 0.76% in H1, the central said on a press release. That targeted credit growth is set so as to curb inflation at 6%-8% as well as to reach a reasonable economic growth rate of 5.2%-5.7% this year, the central bank said. Money supply (M2) in the local banking system is expected to grow 14%-16% this year while the total balance of payment is targeted to post a surplus of over \$3 billion at least the central said. The Governor Nguyen Van Binh has requested local commercial banks to cut interest rates on existing loans to 15% at most per annum from July 15 to support businesses. It also has been actively dealing with restructuring of weak banks and finding solutions to clear bad debts which rose to 10% of total outstanding loans by end-June. Businesses have not been able to access to soft loans and their distressed financial conditions have led to slowdown in economic growth of 4.38% in H1/2012, lowest level in multi years. *The lending interest rate, although reduced, still remained high, exceeding enterprises' reach. The government asked the central bank to prepare drastic measures to deal with bad debts, regulate interest rates according to the targeted inflation rate of 7-8%, and quickly facilitate money flows for businesses. Since most of the troubled banks are still majority owned by the government, we believe allowing foreign banks to increase the stakes from currently capped at 20% would expedite the recovery and strengthen Vietnam banking system in the longer term.*

Lao PDR - External Debt to GDP Declined to 38.52% in 2011

Laos's foreign debt rose by 6.47% last year as the country continued to use foreign loans for development purposes. According to the Bank of the Lao PDR's annual report, outstanding foreign debt reached US\$2.9 billion in December 2011, about 6.4% more compared to the previous year. Multilateral debt accounted for 58% of total foreign debt while the rest was bilateral debt, accounting for 42%. The report, which was made available to the Vientiane Times this week, shows Laos' foreign debt has risen since 2009 after seeing a 10% drop in 2008. The figure rose by 4.63% in 2009 and 4.24% in 2010. Foreign debt saw a major increase in 2006 and 2007, with rises of 11.85% and 15.46% respectively, the report noted. Despite the continuing increase in foreign debt, pressure on the government to manage the situation is easing as the rate of GDP growth continues to rise. Compared to GDP, foreign debt has declined over the past five years from 71.21% of GDP in 2006, 57.70% in 2007, 48.50% in 2008, 48.15% in 2009, 43.82% in 2010, and 38.52% of GDP in 2011. Finance Minister Mr Phouphet Khamphounvong said the budget deficit next fiscal year would be 4.67% of GDP. He admitted that the deficit was larger than in the past but was optimistic that the government can remedy the situation as the deficit remains below 5% of GDP. *We believe Lao is prudent in terms of fiscal discipline. During the past several years, mining industry contributes significantly to the government revenue. Nonetheless, those revenues tend to fluctuate along with the global commodity prices. The increasing revenue from selling hydro powers will increase the stability of government income in the coming years. With the declining foreign debt position and prudent fiscal discipline, we believe Lao will have more flexibility in maneuvering its economy compared with massive debt ridden developed countries.*

Lao PDR - Clinton Presses Laos for More Studies on Mekong Dam in Visit

Hillary Clinton pushed Laos for more studies on a \$3.6 billion hydropower dam on the Mekong River opposed by neighboring countries in the first visit by a U.S. Secretary of State in 57 years. The trip is part of a broader sweep Clinton is making through Asia as the U.S. increases its engagement with the world's fastest growing economies, in part to counter China's growing clout. Laos, a landlocked nation of 6 million people bordering China, plans to expand its generating capacity and sell electricity to its neighbors. Laotian Prime Minister Thongsing Thammavong assured Clinton that the Xayaburi power project wouldn't proceed without approval from neighboring countries, according to a State Department official who wasn't authorized to speak on the record. Laos plans to hold an international conference about the project to ease concerns. The Xayaburi dam's approval may pave the way for seven others that Laos plans to build on the Mekong. The government has aimed to convince its neighbors by showing them studies it commissioned from Compagnie Nationale du Rhône and Switzerland-based Poyry Energy AG. In 2010, *Thailand made an initial agreement to buy 95% of the electricity from the Xayaburi plant, which will have a capacity of 1,285 megawatts. Ch. Karnchang Pcl (CK), Thailand's third-biggest construction company by market value, owns a 30%% stake in the Xayaburi project. CK executives earlier expressed optimism that the Xayaburi project can be completed as planned by 2020. Laos plans to supply a total of 7,000 MW of hydroelectric power to Thailand by 2020.*

Myanmar - Investment Law May Take Effect as Early as September

Myanmar's new investment law may take effect as early as September if a joint session of parliament approves the bill, according to Kan Zaw, deputy minister of National Planning & Economic Development. The law will be debated during the current parliamentary session, he said in an interview in Hong Kong. The legislation will help boost investment in Myanmar, he said. "Normally it takes about two months, up to September," Kan Zaw said. "After it's approved by the Union parliament, then it will take effect the next day." The draft law allows investors to lease land for 50 years, with the possibility of two 10-year extensions, he said. Foreign companies will be guaranteed a level playing field with local businesses, he said. *It is anticipated that the new law might includes extension of tax holiday among foreign firms to five years upon start-up. Foreign manufacturing companies may be entitled to tax relief of up to 50% on profits made from exports. The existing law allows for a three-year holiday. On the labor issue, it is expected that the new law would required all unskilled workers in foreign firms must be Burmese. After five years, 25% of the skilled workforce in foreign firms must be Burmese, increasing to 50% by 5 years, then 75% by 15 years. Finally, the government is expected to guarantee no foreign business will be nationalized during the contract period. However, if nationalization did occur compensation would be provided based on the market price at that time. We believe the new investment law should support foreign investors' confidence. We believe additional relaxation is on the way, particularly towards to ASEAN Economic Community goal in 2015.*