

Monday June 18, 2012

The Market

VN Index Jumped on Money Injection Plan; LSX Up for the Second Day; CSX Still Tumbled

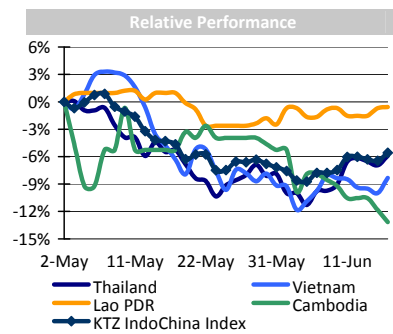
VN Index jumped 1.84% to close at 433.09 on Friday, snapping a five-day losing streak after government said to inject liquidity into the system targeting to drive a credit growth at 2% a month. Vietcombank (VCB) and PetroVietnam Gas (GAS), which are the biggest contributors to the index, jumped 2.4% and 1.92% respectively. The turnover rose to VND 1.31 trillion (USD 62.4 million) while foreign investors remained the net sellers for the tenth consecutive day with high net selling at VND 166 billion (USD 7.9 million).

LSX Index edged higher for the second consecutive day to close at 1,016.59, up 0.13%. Its turnover was huge for the second day, up 16% from Thursday's LAK 769 million (USD 95,900) to LAK 899 million (USD 112,100). The market led by BCEL which was up 0.72% to close at LAK 6,950 while EdL Gen was unchanged at LAK 4,900. Meanwhile, CSX Index fell 1.49% to the lowest level of 709.68, declining 4.4% for the week and 29% since its debut. Its turnover was relatively moderate at KHR 373 million (USD 91,100). The Cambodia market still experienced a foreign capital outflow of KHR 63 million (USD 15,300) for the day.

We believe the Indochina market is still vulnerable to the foreign capital flows, particularly Vietnam stocks. Its local factors, however, are increasingly positive. We believe it is a good opportunity to accumulate key stocks on the dip. Near-term outlook for LSX is quite promising with a pick-up in volume. Both BCEL and EdL Gen are at bargains. Cambodia market would continue to volatile due to a lack of positive drivers.

The News

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- **Cambodia** - CIMB Aiming to Be Top 10 in Cambodia



	Last	Chg	(%)
FTSE ASEAN	535	+8	+1.6
Singapore	2,811	+37	+1.3
Thailand	1,166	+13	+1.1
Malaysia	1,579	+8	+0.5
Indonesia	3,818	+26	+0.7
Philippines	4,931	-90	-1.8
Vietnam	433	+8	+1.8
Lao PDR	1,017	+1	+0.1
Cambodia	710	-11	-1.5

Source: Bloomberg as of June 15

Per USD	Last	Chg	(%)
Baht	31.51	-0.06	-0.19
Dong	20,960	+10.00	+0.05
Kip	8,006.00	-4.00	-0.05
Riel	4,083.75	-8.05	-0.20
Kyat	841.94	+0.26	+0.03

Per Baht	Last	Chg	(%)
Dong	665.74	+1.48	+0.22
Kip	254.32	+0.44	+0.17
Riel	128.00	0.00	0.00
Kyat	26.75	+0.07	+0.25

Source: Bloomberg as of June 15

Upcoming Market Holiday:

Cambodia

- June 18: Birthday of Her Majesty the Queen-Mother Norodom Monineath Sihanouk

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Vietnam - Vietnam to Inject VND21 Trl Each Month From Now to Year-End

Vietnam targets to pump VND21 trillion (USD 1 billion) each month into the economy or 2% credit growth a month to push the economic growth, said Nguyen Xuan Phuc, deputy Prime Minister. The new measure come after the country's economic growth is forecast to slow to an annual pace of 4.31% in the first half of this year, even though second-quarter growth accelerated to an estimated 4.5% the deputy PM. The new plan is expected to raise Vietnam's credit growth to 12-13% this year, and the new money will boost economy demand, clearing enterprises' inventories. Vietnam also commits to speed up privatization of state-own corporation, restructure the banking system, regulates the economy focusing on stable development and higher competitiveness. Loans have been growing very slowly so far this year, partly due to high interest rates and banks trying to avoid bad debt. *We believe the second half of this year is probably a crucial turning point for Vietnam. The lowering inflation has made rooms for State Bank of Vietnam to ease the monetary policy. The bank has cut interest rate 4 times so far this year. S&P has also raised the country's sovereign rating outlook to stable from negative. We believe the liquidity injection together with the expected returning fund flows would support Vietnam economy and its stock markets during the latter half of this year. However, our concern is a possibility that the authority might relax its policy too fast and might deter its economic stability going forward.*

Thailand - In Myanmar, Saha Taking Two Paths

Saha Group, the country's largest consumer products conglomerate, will set up two trading firms in Myanmar this year to handle distribution and logistics there for its consumer goods and fashion and cosmetics products. Boonchai Chokwatana, the president of Saha Pathanapibul, the group's distributing arm for consumer goods, said his company and ICC International, another Saha Group unit, were assigned to form the two trading firms in Myanmar. Saha Pathanapibul is responsible for distributing consumer goods, while ICC will handle fashion and cosmetics products. Both subsidiaries will form joint ventures with Myanmar partners. *We believe major Thai corporate would benefit from Myanmar's rich resources, cheap labor, and large base of population. We expect to see higher relocation of production bases among Thai companies in the coming years. Earlier, Saha Group revealed its plan to spend as high as THB 3 billion (USD 100 million) to develop an industrial park in Myanmar, which will be a base for making garments, food, cosmetics and other products for the local market as well as for export to Europe.*

Thailand - Thailand, Laos Extend Rail Line To Reach Vientiane

Thailand has provided a grant and a soft loan for neighbouring Laos to finance the latter's construction of an extended railway to reach its capital, Vientiane, over the next couple of years. Lao Deputy Finance Minister Viengthong Siphandon and President of Thailand's Neighbouring Countries Economic Development Cooperation Agency (NEDA) Acksiri Buranasiri signed an agreement on the cooperation, under which NEDA offers the financial support for Laos to build the 7.75-kilometer-long Tha Naleng-Vientiane railway track worth THB 1.65 billion. The project is an extended section of the rail line from Thailand's northeastern Nong Khai Province to the Tha Naleng Station in Laos. The extended line is scheduled to be complete over the next two years, which will facilitate travels and cargo transportation to Vientiane. *We have seen the ongoing improving land connectivity among Indochina countries which would reduce logistic costs and spur trades among Indochina countries. Thailand is involved in three main routes: from China-Lao-Thailand-Singapore; North-Thailand Mae Sot to Danang, Vietnam, and from Dawei, Myanmar to Bangkok to Ho Chi Minh City Vietnam.*

Lao PDR - Large Mineral Reserves Still to Be Tapped

The future of the mining industry in Laos is bright as there are still large amounts of unexplored mineral reserves, according to the Ministry of Energy and Mines. The ministry presented its latest report on mineral reserves this week at a seminar in Vientiane on the new Law on Minerals, aiming to update officials and investors on the most recent legislation and encourage their compliance. According to the presentation by the Ministry of Mines, Laos has 326 million tonnes of potash reserves, 442 million tonnes of bauxite, 384 million tonnes of lignite, 152 million tonnes of copper ore, 44 billion tonnes of gold ore, 1.7 billion tonnes of limestone, and 32 million tonnes of tin ore. This large amount of mineral reserves will attract local and foreign investment in the mining sector, as companies see the chance to set up processing operations. *We believe the prospects of the Lao mining sector remain bright in the coming years given that numbers of projects are still at the exploration stages. In 2011, the sector contributed 10% of GDP and is the major source of government's revenue. However, fluctuation in global commodities prices will be a threat to the revenue. Nonetheless, Lao's increasing income from electricity exports would eventually contribute to the government's revenue stability.*

Cambodia - Cambodia Reports Trade Deficit of USD 1.1 Billion in First 5 Months

Cambodia recorded a trade deficit in equivalent to USD 1.1 billion in the first five months of this year, according to a report of the Commerce Ministry. During January-May this year, the report showed that the country's total import and export value was USD 5.16 billion, up 17% from USD 4.41 billion at the same period in a year ago. The imports jumped by 18% to USD 3.13 billion, while the exports rose by 15% to USD 2.03 billion, resulting in a trade deficit of USD 1.1 billion. Cambodia is heavily reliant on international trade. The country's economy is supported by garment industry, tourism, agriculture and construction. *We expect the deficit would be smaller in the following month given the softening prices of petroleum products import. Another major import items are raw materials for production of garments which should move in tandem with its garment exports. This should be less of a worry.*

Cambodia - CIMB Aiming to Be Top 10 in Cambodia

CIMB Bank plc, which aims to be among the top 10 banks in Cambodia over the next 5 years, is targeting more than US\$100mil in deposits and US\$90mil in total loan size by year-end. Its deputy general manager and head of commercial banking Bun Yin said these targets were commendable judging from the fact that CIMB started operations more than a year ago and was a relatively new player in the Cambodian banking landscape. Bun said total deposits for 1Q12 had actually exceeded the US\$100mil mark and was confident loans and deposits would grow at a strong rate. He said deposits was up by 54% in 1Q12 compared with the whole of 2011, adding that loan for the same period rose by about 17%. *We believe the banking industry in Cambodia is still at an early stage and offers rooms for strong growth in the coming years. According to the World Bank figures, only 4% of Cambodians had an account at a formal financial institution in 2011, compared with 27% in Lao PDR and 21% in Vietnam. The regional average was 55%.*