

Tuesday June 19, 2012

The Market

VNX Up on Gov't Rosy Economic Outlook; LSX Jumped to 1-mth High; CSX Market Closed

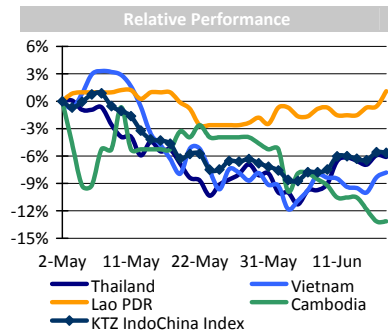
VN Index pared its earlier gains in the morning session to close at 435.59, up 0.58% on Monday, following the positive economic projection from Deputy Prime Minister Nguyen Xuan Phuc released last Friday. PetroVietnam Finance (PVF) and Refrigeration Electrical Engineering (REE) hit the 5% upper limit. However, the turnover was low at VND 900 billion (USD 42.9 million). Foreign investors were still the net sellers for the eleventh consecutive day but the net selling amount fell sharply to VND 5 billion (USD 200,000), down 97% from last Friday's.

LSX Index jumped 1.67%, the third consecutive day gain, to close at 1,033.55, led by EdL Gen which surged 2.04% to close at LAK 5,000, the highest level since May 17. BCEL was unchanged at LAK 6,950. The total market turnover fell to LAK 153 million (USD 19,100) after registered high trading volumes during the previous 2 days. Cambodia stock market closed for Birthday of Her Majesty the Queen-Mother Norodom Monineath Sihanouk Holiday.

Given the positive news from Greek election which eases concerns on Greece leaving the euro, we believe the Indochina market is set to perform better in the near-term. Vietnam markets have high upside potential as its economy is gradually waking up from a nightmare. Meanwhile, Lao stock market continues to attract inflows. Foreign net buying has reached at LAK 2.1 billion (USD 200,000) month-to-date, according to Friday data.

The News

- **Vietnam** - MobiFone, Vinaphone to Merge
- **Thailand** - Thailand to Supply More Gas to Meet High Demand in Myanmar
- **Myanmar** - Foreign Currencies Continue Rising
- **Lao PDR** - Laos, Japan Spark Changes in Power Development Governance
- **Lao PDR** - Laos, Myanmar Seek to Enhance Legislative Cooperation



Source: Bloomberg as of June 18

	Last	Chg	(%)
FTSE ASEAN	539	+3	+0.6
Singapore	2,824	+13	+0.5
Thailand	1,163	-2	-0.2
Malaysia	1,583	+4	+0.2
Indonesia	3,860	+42	+1.1
Philippines	5,050	+120	+2.4
Vietnam	436	+3	+0.6
Lao PDR	1,034	+17	+1.7
Cambodia	710	Closed	Closed

Source: Bloomberg as of June 18

Per USD	Last	Chg	(%)
Baht	31.47	-0.04	-0.13
Dong	20,965	+5.00	+0.02
Kip	8,001.00	-5.00	-0.06
Riel	4,062.70	-21.05	-0.52
Kyat	839.06	-2.88	-0.34

Per Baht	Last	Chg	(%)
Dong	666.11	+0.37	+0.06
Kip	254.24	-0.08	-0.03
Riel	128.00	0.00	0.00
Kyat	26.66	-0.08	-0.31

Source: Bloomberg as of June 18

Upcoming Market Holiday:

Thailand

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

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Vietnam - MobiFone, Vinaphone to Merge

Viet Nam mobile giants MobiFone and Vinaphone will merge as scheduled as part of the Government's restructuring plan for State-owned enterprises, the Ministry of Information and Communications said. The statement was made by Minister Nguyen Bac Son during an online conversations with citizens via government web-portal in Ha Noi. Son point out that the 88 million population now had some 130 million mobile phone subscribers of which 122 million were prepaid and only 8 million were post-paid. Son said the mobile market competition in Viet Nam was not healthy as most mobile operators here just developed prepaid segments by reducing service prices and applying loose subscription requirements. The merger follows a decision last year that limited any company from owning more than 20% in multiple networks. Both VinaPhone and MobiFone are actually owned by the same company, the state-controlled Vietnam Post and Telecommunication Group (VNPT). *We believe the merger will create an uneven playing field among Vietnam operators and might against Vietnam antitrust regulation which bans the merger of enterprises that would result in over 50% market share. The new entity will take control of almost 60% of the market. According to the White Book on Vietnam's ICT 2011, MobiFone held 29.11% shares and Vinaphone seized 28.71% of the market. This will be a challenge to the leader, Viettel which held a 36.72% share in the country's mobile market. Viettel, formerly Military Telecommunications Joint Stock Co, is owned and run by the Ministry of Defense.*

Thailand - Thailand to Supply More Gas to Meet High Demand in Myanmar

Thailand is prepared to allocate more natural gas from the M9 gas field to Myanmar as the neighbour needs more energy to serve the growing demand for the country's development, Thai Energy Minister Arak Chonlatanon said on Monday. After his recent visit to Myanmar, the Thai minister said that under the contract, 60 million cubic feet (MCF) of gas per day will be delivered to Myanmar. However, after a request from Myanmar and talks with PTT, the Thai oil and gas conglomerate running the project, an additional 60 MCF per day could be allocated for delivery. Additionally the Electricity Generating Authority of Thailand (EGAT) will send Myanmar two power generators, able to be run by oil or natural gas, to serve Myanmar's electrical power demand the country is due to host the Southeast Asia (SEA) Games and the World Economic Forum on East Asia next year. *Myanmar is facing widespread of power shortage, particularly in its major city such as Rangoon. So far, South Korea and Japan have agreed to build power plant to support rising domestic electricity consumption. We believe this is one of major concerns among foreign investors.*

Myanmar - Foreign Currencies Continue Rising

Exchange rates for dollars and Foreign Exchange Certificates are surging upward following last week's announcement that a K10,000 note would be released on June 15, sources said last week. However, several sources said the fact that black market money changers were offering rates higher than the official currency exchange counters could block efforts to unify the different exchange rates. Since March 15, 11 local private banks have been taking part in daily currency auctions with the Central Bank, which are published on the bank's website. Once a rate is determined the banks are allowed to trade at plus or minus 0.8% of the bank's rate. The Central Bank's rate on June 14 was K846, the maximum gap between the buying and selling rates for dollars was about K14. Official currency counters were buying dollars for K843 and selling them for about K855, while the black market was offering K855-860. A travel agency in Yangon said the company never bothered with the official exchange counters. "We've heard plenty of stories that the counters limit the amount people can change and impose other restrictions so we always just save time and go to the black market,". *We believe it would take sometime for the market adjustment to changes. There might be a need to amend regulations to authorize the smaller money changers. It is a leap forward for Myanmar after the officials introduced a new currency regime on April 1, 2012. From fixed rate of 6.4 Kyat/USD to a managed float system which brings the official exchange rates closer to the reality.*

Lao PDR - Laos, Japan Spark Changes in Power Development Governance

Investment in the development of Laos' power sector from now until 2030 is expected to be 480 trillion to 560 trillion kip (US\$60 billion to US\$70 billion). "By that time, Laos may have installed capacity of about 20,000MW," Energy and Mines Deputy Minister Mr Viraphonh Viravong said. Mr Viraphonh was speaking at a workshop held in Vientiane on the 'Project for the Improvement of the Governance Mechanism for Sustainable Power Development Planning'. Laos is targeting installed capacity of 3,856MW by 2015. The country currently has 16 hydropower plants with installed capacity of 2,559.7MW. Hydropower is the most important energy resource, with potential estimated at about 26,000MW, with yet-to-be counted small scale hydropower sites below 15MW though to have a potential of about 2,000MW. Mr Susumu Yuzurio, Senior Representative of the Japan International Cooperation Agency (JICA) Laos Office, said at the workshop that Laos, dubbed 'the battery of Indochina', holds enormous potential for hydropower, which is many times greater than domestic peak demand and also the demand projected for 2020. The project team consists of members from two Japanese electric power companies, namely Chubu Electric Power Co Inc and J Power. *We believe the outlook for Lao power sector is bright given the strong demand in both domestic market and the strong and rising demand from its neighboring countries. We recommend BUY on EDL-Generation Public (EDL LS) with the fair value estimate of LAK 10,227 (USD 1.28). The stock was trading on the Lao Securities Exchange at LAK 5,000 (USD 0.62) as of yesterday.*

Lao PDR - Laos, Myanmar Seek to Enhance Legislative Cooperation

Laos and Myanmar are seeking ways to enhance their legislative cooperation within bilateral and multilateral frameworks. Officials from both countries expressed common points of view when they met in Vientiane yesterday during a visit by a parliamentary delegation from Myanmar, led by the Speaker of the Amyotha Hluttaw, U Khin Aung Myint. "We should prepare memorandums of understanding as a legal reference for our future cooperation," said Lao National Assembly President Ms Pany Yathortou, who led the Lao delegation at the meeting. She suggested more exchange visits and sharing of experience between the two parliaments at various levels, in fields such as technical expertise and the training of personnel. Ms Pany proposed that the legislative bodies of Laos and Myanmar support their governments in implementing the agreements signed by the two sides, as well as promoting trade and investment among business operators from the two countries. *We believe Myanmar could learn from Lao's recent success in gradually opening up its economy and utilizing its natural resources effectively. Lao government has revamped its laws into international standard which paved the way in joining WTO this year.*