

Monday July 2, 2012

The Market

VNX Ended 2Q with Gains; LSX Fell On EdL; CSX Unchanged

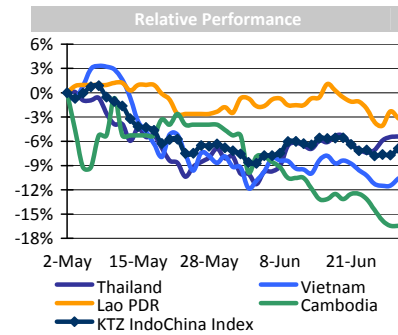
VN Index ended the final trading day of the second quarter on Friday with solid gain of 1.01% to 422.37, following the government report that the country's 2Q GDP grew 4.66%yoy, accelerating from 4.0%yoy growth in 1Q. The blue chips such as Eximbank (EIB), Saigon Securities (SSI) and Vietcombank (VCB) were the active gainers, adding 3.83%, 1.46% and 1.03% respectively. The HCM turnover was moderate at VND 1.06 trillion (USD 50.9 million), a 37.2% increase from the day earlier. Foreign investors were the net buyers worth VND 50.9 billion (USD 2.4 million), up significantly from Thursday's VND 285 million.

LSX Index fell 0.9% to close at 989.82 after Thursday's 1.83% rally with moderate turnover of LAK 1.55 billion (USD 193,900). The decline led by EdL Gen which fell 1.06% to close at LAK 4,650 while BCEL unchanged at LAK 6,800. Meanwhile, the CSX Index was unchanged at the record low level of 682.80. The market turnover was thin at KHR 73.6 million (USD 18,000).

Vietnam and Lao stock markets finished 2Q12 with minor losses of 5.2% and 4.2% respectively during the period, compared with a 6.7% decline of MSCI World Index. In contrast, Cambodia stock market plunged by a hefty 34.9% since its debut in April. We are increasing positive on Vietnam and Lao stock markets in the coming quarters as their economic prospects continue to improve. However, Cambodia stock market remains gloomy due to its low liquidity. Investors are looking for a clearer direction after PPWSA, the only listed company, changes its helmsman.

The News

- **Vietnam** - Vietnam's Economy Grew 4.66% in The Second Quarter
- **Vietnam** - Vietnam Cut Interest Rates For a Fifth Time This Year
- **Vietnam** - 29 Plants to Participate in "Competitive Power Generation Market"
- **Cambodia** - Garment Makers Gear Up for IPOs
- **Myanmar** - US Senators Press for Myanmar Oil Investment



Source: Bloomberg as of June 29

	Last	Chg	(%)
FTSE ASEAN	547	+8	+1.5
Singapore	2,878	+32	+1.1
Thailand	1,172	+1	+0.1
Malaysia	1,599	+5	+0.3
Indonesia	3,956	+68	+1.7
Philippines	5,246	-10	-0.2
Vietnam	422	+4	+1.0
Lao PDR	990	-9	-0.9
Cambodia	683	0	0.0

Source: Bloomberg as of June 29

Per USD	Last	Chg	(%)
Baht	31.56	-0.32	-1.00
Dong	20,905	-5.00	-0.02
Kip	8,020.50	+4.50	+0.06
Riel	4,110.75	+28.80	+0.71
Kyat	872.03	+3.42	+0.39

Per Baht	Last	Chg	(%)
Dong	657.66	+2.10	+0.32
Kip	252.65	+1.25	+0.50
Riel	127.50	-0.50	-0.39
Kyat	27.47	+0.23	+0.84

Source: Bloomberg as of June 29

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)

- Subscription Period to be Informed Later

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Vietnam - Vietnam's Economy Grew 4.66% in The Second Quarter

Vietnam's economy grew 4.66% in the second quarter from a year earlier, accelerating from 4.0% expansion in the first quarter, government figures showed Friday. For the first half, the country's gross domestic product expanded 4.38% from a year earlier, led by the services sector, the General Statistics Office said in a report. The services sector grew 5.57% in the January-June 2012, while the industrial production and construction sector expanded 3.81% and the agricultural sector 2.81%. The country's GDP was valued at 1,253 trillion dong (\$59.6 billion), in the first half. Vietnam is aiming for GDP growth of 6% this year, compared with an expansion of 5.9% in 2011. The GSO report also showed that the country's industrial production index in June rose 8.0% from a year earlier, accelerating from an increase of 6.8% in May, and its retail sales in the first half of the year rose 19.5% from a year earlier. *The 4.38% growth during the first half of this year was decelerating from 5.57% growth in the same period of 2011. Vietnamese government tightening policy introduced last year has been effectively curbing the economic growth in exchange of stability. We have seen the inflation cooling off and are expected to soften further with the support from lower global energy prices. However, the accelerating growth in 2Q12 compare with the previous quarter is not broad based. Banks are still not functioning well and the real sectors are still difficult to access banks loan. Nonetheless, we believe it is a good time for returning into the Vietnamese stocks, particularly the blue chips, given their undemanding valuation and stabilizing economic environment.*

Vietnam - Vietnam Cut Interest Rates For a Fifth Time This Year

The State Bank of Vietnam lowered the refinance rate to 10% from 11% and the discount rate to 8% from 9%, it said in a statement on its website last week, with the cuts effective July 1. This is the fifth time this year the central bank has cut rates, following similar reductions in March, April, May and June. By repeatedly hiking rates last year, Vietnam successfully reined in double-digit inflation, which peaked at 23% last August but was down to 6.9% year-on-year in June, its lowest rate in three years. *We believe the softening global commodities prices would provide a good support for further accommodating policy through the remaining of the year. The series of rate cut, however, fail to lift the credit extensions among local banks. According to the latest figures released in June, Vietnam's outstanding loans at the end of April fell 0.59% from the end of 2011 to 2,617 trillion Vietnamese dong (\$125.2 billion). Bad debts hit \$5.18 billion, or 4.14% of total loans as of April, up from 3.06% in 2011. We believe more efforts are needed to restructure the non-performing loans and particularly consolidating weak banks in an effort to keep the economy moving solidly further.*

Vietnam - 29 Plants to Participate in "Competitive Power Generation Market"

The Power Regulatory Authority under the Ministry of Industry and Trade has announced that as many as 29 power plants that will participate in Vietnam Competitive Generation Market (VCGM) from July 1, 2012. These companies included 13 hydro-power plants, 11 thermal power plants, 5 gas turbine power plants with total capacity of 9,035MW. These companies will offer electricity price quote to Electricity Power Trading Company –EPTC. Moreover, 26 other power plants will indirectly participate in the VCGM and 20 others (19 hydro-power plants and 1 thermal power plant) are on the stand-by list and will participate in the market when commercial market is officially launched. The MoIT has issued official documents requesting the Electricity of Vietnam (EVN) to complete preparation for VCGM operation. Earlier, in a move to operate VCGM, the MoIT has allowed EVN to buy electricity from selected power plants at a price of 5% higher than 2011's price. *Vietnam's electricity market is scheduled to develop in three stages – a competitive power generating market (completed by 2014), a competitive wholesale market (2014-20) and a competitive retail market (after 2020). However, there are concerns that EVN might not be able to maintain present retail prices if suppliers sell at higher prices. Some even doubt the feasibility of the competitive market when hundreds of power suppliers can only sell to the state-owned EVN and the consumer only buy from the EVN as well.*

Cambodia - Garment Makers Gear Up for IPOs

Two foreign-owned garment manufacturers will submit disclosure documents to Cambodia's capital market regulator next month, the companies' underwriter Phnom Penh Securities Firm Plc. said. The initial public offerings for the two private companies, expected by the end of the year, should boost action on the Cambodia Securities Exchange. The CSX's only listed company, Phnom Penh Water Supply Authority (PPWSA), closed at Riel 6,350 (USD 1.56) Friday, just above its IPO price of Riel 6,300 (USD 1.54). Submission preparation for QMI International and TY Fashion, both Taiwanese companies, was "99 per cent complete", Phnom Penh Securities chief executive Stephen Hsu said. Telecom Cambodia has not designated a specific date, but insiders said the firm is expected to list in January. Sihanoukville Autonomous Port earlier this year announced a July listing date, but officials yesterday said the deadline was unrealistic. *We believe the recent poor performance of PPWSA might worry investors on the prospects of the stock market. PPWSA trading liquidity has been very poor and the stock price has been falling so far. We, however, believe additional listings would give investors more choices and would eventually improve the market activities. After all, Cambodia economy would continue at strong pace of around 6-7% p.a. over the next few years.*

Myanmar - US Senators Press for Myanmar Oil Investment

The US Senate on Friday confirmed President Barack Obama's nominee to be the first US ambassador to Myanmar in more than two decades, the latest step in greater engagement with a nation undergoing dramatic reforms. Derek Mitchell, a veteran US policymaker on Asia, was confirmed by unanimous consent. Senators pressed the Obama administration to allow investment by US energy companies as part of its loosening of sanctions on Myanmar, voicing fear that US companies would lose out to foreign competitors. Senator James Inhofe, a Republican from Oklahoma and champion of the fossil fuel industry, said he heard rumors that the administration will exclude oil firms from new rules allowing US investment in the country. *We believe competition in the oil & gas as well as mining sectors are intensifying as major countries are moving in to secure their space. With the U.S. moving in fast, we believe China will probably take further action to strengthen ties with its neighboring country.*