

Thursday June 21, 2012

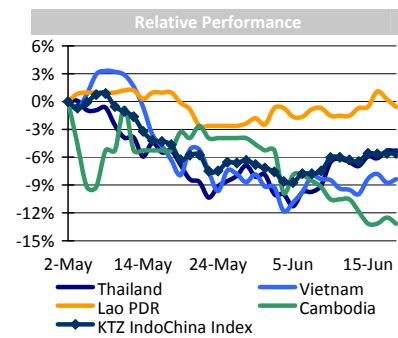
The Market

VNX Up on Hanoi Inflation Eases; LSX fell on EdL Gen's Rights Issues; CSX Hit Lowest Again

VN Index closed higher at 432.89, up 0.42% on Wednesday, after the government reported that Hanoi's June Inflation eased to 3.62%yoy. Vietcombank (VCB) and PetroVietnam Gas (GAS), the biggest contributors to the index, jumped 1.36% and 1.32% respectively. Foreign investors turned into net sellers worth VND 7.9 billion (USD 300,000) in HCM market while total market turnover was low at VND 615 billion (USD 29.3 million).

LSX Index edged lower for the second day this week, to close at 1,016.59, down 0.83%. The market led by EdL Gen, which fell 1.01% to close at LAK 4,900, following the announcement of its capital exercise. EdL Gen's volume reached its three-week high at LAK 634.6 million (USD 79,200). BCEL was unchanged at LAK 6,950. Total market turnover was moderate at LAK 667.5 million (USD 83,300). Meanwhile, CSX Index reversed its Tuesday's gains to close at 709.68, the lowest level since its debut again. The total market turnover was thin at KHR 78 million (USD 18,900). Foreign investors remained net sellers worth KHR 39 million (USD 9,400).

Vietnam's capital city inflation cooling sent a positive signal ahead of the upcoming the country level inflation data, which will be released in coming days. Amid Vietnam's improving economic prospect, we expect foreign money will be returning to Vietnam in the near term. Lao stock market is likely to benefit from the inflows after EdL Gen's rights and public offering would improve its trading liquidity by adding around 357 million new shares into the market. Given that the capital increase is for a purchase of 4 operating IPPs, the incremental value that outweighs the dilution impact should provide a solid support to the stock. Cambodia market sentiment remains gloomy due to a lack of positive catalysts.



Source: Bloomberg as of June 20

	Last	Chg	(%)
FTSE ASEAN	547	+4	+0.8
Singapore	2,856	+13	+0.5
Thailand	1,173	+0	+0.0
Malaysia	1,604	+9	+0.6
Indonesia	3,944	+63	+1.6
Philippines	5,146	+65	+1.3
Vietnam	433	+2	+0.4
Lao PDR	1,017	-8	-0.8
Cambodia	710	-5	-0.8

Source: Bloomberg as of June 20

Per USD	Last	Chg	(%)
Baht	31.50	+0.12	+0.38
Dong	20,940	-25.00	-0.12
Kip	8,001.00	-5.00	-0.06
Riel	4,073.75	-38.70	-0.94
Kyat	844.78	-6.52	-0.77

Per Baht	Last	Chg	(%)
Dong	664.78	-2.56	-0.38
Kip	254.01	-1.08	-0.42
Riel	128.00	0.00	0.00
Kyat	26.82	-0.30	-1.12

Source: Bloomberg as of June 20

The News

- **Myanmar** - Bond Market Enters New Territory
- **Myanmar** - Burma to Get Bank Debit Cards Soon
- **Lao PDR** - Laos Optimistic on Xayaburi Despite Stumbling Blocks
- **Lao PDR** - ICBC Vientiane Branch Becomes Laos' Sole Yuan-clearing Bank
- **Cambodia** - Cambodia Central Bank to Raise 2012 GDP Outlook
- **Thailand** - PTTEP Seeks Foreign Partners; Opening of Myanmar Carries Pros and Cons
- **Vietnam** - BIDV Delays Debut on Vietnam Stock-Market Slump

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

Thanawat Patchimkul
Global Strategist
Email: thanawatp@ktzmico.com
Tel: + 66 2 695 5451
Assisted by
Denruthai Krishnamra

Myanmar - Bond Market Enters New Territory

Myanmar bond market is moving forward but at a slow pace, according to Mr Ryota Sugishita, the leader of a team of Japanese consultants on bond market development in Myanmar and executive director of the Asian Business Research Department at Daiwa Institute of Research. Roadmap is being drawn which should give investors a clearer picture going forward. Number of issues has been addressed. Firstly, there should be a schedule of issuance announced by the government for investors to plan their investment. Secondly, amendments of law and regulations are needed to support the market development. Thirdly, there should be an upgrade of IT network, particularly the banking system, which is currently done manually. Lastly, interest rates on government bonds should have more flexibility. Currently the rates are regulated. Banks have exposure to the bonds but tend to hold them to maturity. *We believe a clear roadmap should expedite Myanmar bond market development and should eventually become a great support to the economy.*

Myanmar - Burma to Get Bank Debit Cards Soon

By the end of June, six private banks will start a debit card one-month trial service, according to officials at Kanbawza Bank. The service will be limited to selected individuals, General Manager Zaw Lin Htut of Kanbawza Bank told Eleven Media group. The debit card will be issued by MPU (Myanmar Payment Union Card). Officials said that sometime in the future the card could be used as a credit card and smart card. By 2013, Burmese citizens should be able to travel anywhere in the world using domestic debit and banking cards, banking officials said. In May, banking officials said more private banks in Burma are in the process of installing automated teller machines (ATM), a sign of the fast-evolving changes in the financial and banking system. *We believe this is a favorable progress for Myanmar banking industry towards a modern banking platform. The central bank plans to launch a new nationwide ATM network by July and is in talks with Visa International's Plus and MasterCard International's Cirrus to introduce international banking within six months to a year.*

Lao PDR - Laos Optimistic on Xayaburi Despite Stumbling Blocks

The Lao government remains optimistic the construction of the Xayaburi hydroelectric dam on the Mekong River can begin at the end of this year's rainy season and be completed by 2020. Xaypaseuth Phomsoupha, the director-general of Laos's Energy and Mines Ministry, said two separate reports from independent consultants found the US\$3.8-billion project will cause negligible environmental damage and limited social disruption. Ch. Karnchang Plc (CK) has been granted a concession to develop the 1,280-megawatt project, one of 11 planned dams on the Mekong River. The construction of Xayaburi was halted due to strong opposition from environmentalists and some members of the MRC. *Should the project go through, we believe it will be positive to CK share price and secure Lao's future revenue from exporting electricity to Thailand, which plans to purchase 7,000 MW of Lao hydroelectric power by 2020.*

Lao PDR- ICBC Vientiane Branch Becomes Laos' Sole Yuan-clearing Bank

Industrial and Commercial Bank of China (ICBC), China's largest lender by market value, said Wednesday that its Vientiane branch had been approved as Laos' sole yuan-clearing bank, according to Xinhua news agency. The decision, made by the Bank of Lao PDR, indicates that ICBC's Vientiane branch can open yuan accounts for banks, enterprises and individuals in Laos, and it will be responsible for clearing yuan transactions between Laos and China. Bilateral relations between China and Laos have risen from 130 million U.S. dollars in 2005 to 1.36 billion U.S. dollars last year. China has become Laos' largest foreign investor. Its total investment in 443 projects has exceeded 4 billion U.S. dollars since 1989. *ICBC has been expanding in Indochina region during the past few years. The bank entered Vietnam in 2010, in Cambodia and Lao PDR in 2011. ICBC has just launched a representative office in Myanmar in December last year. This is the efforts to accommodate the rapidly expanding Chinese businesses in the Indochina region.*

Cambodia - Cambodia Central Bank to Raise 2012 GDP Outlook

The National Bank of Cambodia is planning to revise up 2012 GDP growth forecast from 7.0% at present, due to a recovery in the country's real estate sector and agricultural products prices, Deputy Governor Neav Chanthana said Wednesday. Inflation isn't a concern for the central bank, which is projecting a 5% inflation rate this year. *We believe Cambodia economy will continue grow at the strong pace in the coming years. Its GDP grew 6.9% in 2011. The IMF and ADB forecast 2012 GDP growth of 6.5%, slightly lower than the country's official forecast.*

Thailand - PTTEP Seeks Foreign Partners; Opening of Myanmar Carries Pros and Cons

PTT Exploration and Production Plc (PTTEP) is seeking partnerships with international players looking to invest in Myanmar. PTTEP expects competition to intensify in the oil and gas industry in the neighboring country and is looking to work with foreign operators in order to maintain its leading position there. It has also proposed the Myanmar government engage in "direct negotiations" for some concessions. Europe and the US have started to ease sanctions on the country, and the local government is expected to endorse a foreign direct investment law next month. Competition from international players will increase very soon in Myanmar, said Somporn Vongvuthipornchai, PTTEP's executive vice-president for international assets. "Myanmar's opening will certainly be both a positive and a negative for PTTEP, which has been a dominant player there over the past 20 years," he said. PTTEP is in talks regarding joint-investment partnerships with international players such as Chevron. *Since early March, the state-owned Myanmar Oil and Gas Enterprise has signed 9 agreements allowing foreign companies to explore for oil and natural gas. The firms are EPI Holdings of Hong Kong, Geopetro International Holding of Switzerland, Petronas of Malaysia, Jubilant Energy of India, PTTEP of Thailand, Istech Energy of Indonesia and CIS Nobel Oil of Russia. Myanmar plans to offer up to 18 onshore oil and gas blocks in a global tender to be launched later this year.*

Vietnam - BIDV Delays Debut on Vietnam Stock-Market Slump

Bank for Investment and Development of Vietnam said it will delay a planned trading debut until the third quarter after a slide in the benchmark VN Index. BIDV, as the lender is known, sold a 3% stake in an initial public offering in December and had planned to begin trading on the Ho Chi Minh City Stock Exchange on June 26 but will delay to 3Q12. Vietnam allows companies to delay listings for as long as a year after IPOs. "Stock-market conditions are still not very favorable, so listing at this time may negatively affect the stock value as well as hurt shareholders and investors. *We believe the listing would attract foreign investors and would help shore up the market sentiment. The bank plans to sell 15% stake to a foreign strategic partner.*