

The Market

VN Index Shed 1.5% on Europe Concern; LSX and CSX Flat

VN Index was down by a hefty 1.5% to 415.63 Tuesday on concern Europe debt crisis worsening. Foreigners were the net buyers of the primary bourse HOSE worth VND 8.86 billion (USD 424,940). Their top buying shares were the real estate developer HAGL (HAG) and Petrovietnam Fertilizer & Chemicals (DPM). The top selling shares among foreigners are the developer of Vincom Tower, Vingroup (VIC) and the insurance company, Bao Viet Holdings (BVH).

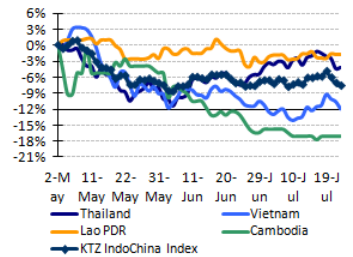
For Lao PDR, LSX Index was flat at 1,004.47 as both listed companies; BCEL and EdL Gen were unchanged at LAK 7,050 and LAK 4,700 respectively. However, the trading volume of EdL Gen surged to 206,245 shares, the highest level since July 3. LSX turnover was relatively high LAK 1,124.5 billion (USD 140,153). The Cambodian CSX Index was flat for the fourth day at 677.42 on thin trade worth KHR 74.8 million (USD 18,104).

We believe the near-term outlook of the Indochina market will be sluggish through out the week on Europe concerns. However, at the current level, it is a good opportunity for bargain hunters to snap cheap stocks into their portfolio. We remain negative on Vietnam banking stocks on slow credit growth, rising NPLs, and the increasing chance of capital exercise.

The News

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- **Vietnam** - Vietnam Inflation Eases to Two-Year Low
- **Lao PDR** - Xayaboury Dam Will Not Impede Sediment Flows, Consultants Say

Relative Performance



Source: Bloomberg as of July 24

	Last	Chg	(%)
FTSE ASEAN	557.5	+2	+0.03
Singapore	2994	-4	-0.2
Thailand	1183	-3	-0.2
Malaysia	1631	-2	-0.1
Indonesia	3987	-3	-0.2
Philippines	5168	+9	+0.2
Vietnam	415	-1	-0.3
Lao PDR	1,004	+8	+0.8
Cambodia	677	0	0

Source: Bloomberg as of July 24

Per USD	Last	Chg	(%)
Baht	31.78	-0.01	-0.09
Dong	20,878	-3	-0.02
Kip	8,025.00	+3	+0.03
Riel	4,078	-43	-0.01
Kyat	873	-0.15	-0.02

Per Baht	Last	Chg	(%)
Dong	657	+0.31	+0.00
Kip	252	-23	-0.03
Riel	128	-0.6	-0.39
Kyat	27.48	-0.15	-0.54

Source: Bloomberg as of July 24

Upcoming Market Holiday:

Thailand

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

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Cambodia - Cambodia's Banking Sees 31% Lending Growth

Loan demands from Cambodia's banking industry had surged by 31% in the last twelve months thanks to the growing business activities in trade, real estate, agriculture and manufacturing, a central bank's senior official said Tuesday. As of June 2012, the kingdom's 32 commercial banks had lent a total of USD 4.92 billion, an increase of 31% from USD 3.75 billion at the end of June last year, Nguon Sokha, director general of the National Bank of Cambodia (NBC), said, citing the NBC's data. She said that 32% of the loan went to trade, 16% to real estate, construction and mortgage, 10% to agriculture, 9% to manufacturing, and the rest went to tourism and services sector. In terms of deposit, she said, the customers' deposits at the banks had reached USD 5.64 billion by the end of June this year, up 23% from USD 4.58 billion last June. "Generally, loan demand has increased in all sectors that reflect better business environment in the country," she said, adding that the banking industry in the last twelve months was very healthy. *Cambodia economy is expected to be strong this year growing 6.9%, according to the Minister of Economy and Finance Keat Chhon. Garment, the country's major export item, has been slowing as a result of troubles in the U.S. and Europe. Year-on-year garment export growth slowed from 22.8% in the first quarter of the year to about 12.8% in the second quarter. However, overall economic growth remains solid.*

Myanmar - Myanmar Eyes Overtaking Cambodia, Laos Economically

Myanmar hopes to overtake neighbors Laos and Cambodia in terms of average income per person within two to three years, as the country embraces political and economic reforms, Burmese Industry Minister Soe Thein said Monday. "I hope we will have higher average income per person than Laos and Cambodia by 2014-15. It is possible," he said in an interview with RFA's Burmese service. Soe Thein was answering a question on his expectations for the Burmese economy in the next five years. Burma is languishing with a gross national income per capita of USD 379.60, based on U.N. figures in 2009, the lowest among its fellow member states in the Association of Southeast Asian Nations (ASEAN)—Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. Laos has a per capita income of USD 1,130 while Cambodia has USD 830, based on 2011 figures by the World Bank. The country's parliament is also discussing a foreign investment law, which reports say will spell out new tax exemptions, land-use terms, legal structures, and incentives for foreign companies. *We believe for Myanmar to have higher average income per person than Laos and Cambodia is possible but might not be in the next 5 years. Lao PDR and Cambodia economies have been growing strongly in the range of 7-8% p.a. which makes it difficult for Myanmar to jump significantly over those rates. In August last year, the World Bank has raised its income classification on Lao PDR to "lower-middle income economy" from "low income economy". The World Bank annually revises its classification of the world's economies based on gross national income (GNI) per capita estimates using the Atlas method. Lower-middle-income economies are those with average incomes of US\$1,006 to US\$3,975.*

Myanmar - Myanmar in the Dark Over Hydropower for Asia

Myanmar has abundant energy resources, yet 74% of its 60 million people have no access to electricity, giving it one of the lowest domestic energy consumption rates in the region, according to a recent report by the Asian Development Bank. Local people have been on protests on the blackout in major cities including Yangon. The city as six-hour daily blackouts hit Myanmar's commercial centre, even though it is better served than the rest of the country. The protestors questioned why Myanmar, among Asia's poorest nations, is selling natural gas to Thailand and exporting hydroelectric power to China while its own people live in darkness. Myanmar accounts for about 30% of Thailand's energy consumption. And by the end of August 2011, China had imported almost 5 billion kilowatt-hours of electricity from two hydropower stations in Myanmar, according to a Chinese government report. *Although Myanmar has abundant natural resources, its basic infrastructure is still very poor and still needs lots of investments. Myanmar has an installed power capacity of 2,254 megawatts (MW) after growing at an annual rate of 10% since 2007. The demand for power shot up by 15% in 2012, which has led to the current power crisis, according to Frost & Sullivan's Asia-Pacific. Myanmar has per-capita power consumption of 104 kilowatt-hours compared with 2,000 kWh in Thailand and 600 kWh in Indonesia. Some cables as much as 40 years old and more than half the cables transmitting power at less than 230 kilovolts, power losses are significant.*

Vietnam - Vietnam Inflation Eases to Two-Year Low

Vietnamese inflation has slowed to the weakest pace in more than two years, the government said on Tuesday, mirroring cooling economic growth in the communist state. Consumer prices climbed 5.35% year-on-year in July, the smallest increase since November 2009. Inflation was in double-digit figures until April this year. It hit 23% in August 2011, forcing the government to repeatedly hike official interest rates in an effort to prevent the economy from overheating. But slowing economic growth and easing price pressures have since triggered a turnaround in policy, with a series of interest rate cuts by the central bank this year. Economists say the sharp slowdown in consumer prices is the result of the tighter monetary policy and cooling domestic consumer demand. Vietnam's economic growth slowed to 4.38% in the first half of 2012 compared with the year-earlier period. The economy grew 5.9% last year, and the government is aiming for a 6.0-6.5% expansion for the whole of 2012. *We believe the easing inflation is good news for Vietnam as the officials will have more flexibility to impose accommodating economic policies. The State Bank of Vietnam lowered its refinancing rate -- charged on loans to commercial banks -- to 10% from 11% earlier this month. It was the fifth time this year the central bank has cut rates, following similar reductions in March, April, May and June.*

Lao PDR - Xayaboury Dam Will Not Impede Sediment Flows, Consultants Say

Xayaboury hydropower plant, the first run-of-the-river dam in the lower Mekong basin, will not cause any serious impediment to sediment flows to the lower Mekong delta, according to the dam consultants contracted. Poyry and Compagnie Nationale du Rhone, both reputable international dam consultants, which are providing consultancy services for the Xayaboury dam development project, say sediment from upstream of the planned Xayaboury dam contributes only 2.5% of the total sediment flows to the lower Mekong delta. Vietnamese and Cambodian environmentalists have expressed concerns that once the power plant is built on the Mekong mainstream, it will prevent the flow of sediment to the Mekong nations downstream, posing a threat to food security for people in the region. *This is good news for Lao PDR on the increasing chance to continue with the USD 3.5 billion project. The dam will generate an income of US\$450 million a year to the Lao government, who holds 20% in the project. Xayaboury plant will be completed by 2020.*