

Thursday July 5, 2012

The Market

VNX Can't Hold Morning Gains; LSX Closed above 1,000 led by BCEL; CSX Unchanged

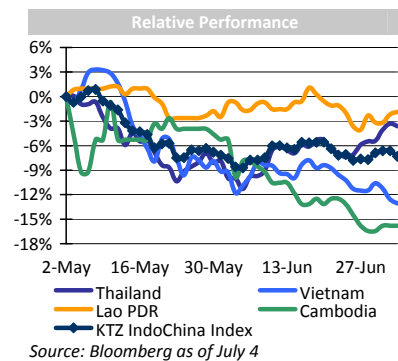
VN Index pared its 0.7% gains in the morning session to close at 410.73, down 0.57% on Wednesday following a report that the National Financial Supervisory Commission (NFSC) cut their FY2012 credit growth forecast from 15-17% to 8%. Sacombank (STB) and Ocean Group (OCG) were the active gainers, adding 0.91% and 0.81%, respectively. The HCM market turnover was quiet at VND 354.92 billion (USD 16.9 million), down 48% from a day earlier. Foreign investors turned into net sellers worth VND 3.9 billion (USD 100,000), after bought VND 87.2 billion (USD 4.2 million) net of stocks during the previous four days.

LSX Index gained for the second day to close above 1,000 at 1,003.33, up 0.34%. The gain led by BCEL which jumped 2.19% to close at LAK 7,000 while EdL Gen was unchanged at LAK 4,700. However, the market turnover was low at LAK 300 million (USD 37,400). Meanwhile, the CSX Index stood at 688.17 for the second day. The market turnover was light at KHR 72.4 million (USD 17,500).

In Lao stock market, foreign investors continue to accumulate stocks with a net buy of LAK 128 million (USD 15,900) so far this month. They bought LAK 2.42 billion (USD 300,000) net in June. Given the attractive valuation, we recommend accumulate the Lao stocks on the dip.

The News

- **Vietnam** - NFSC Cut FY2012 Credit Growth Forecast From 15-17% To 8%
- **Vietnam** - 53,000 Firms Go Bankrupt in 1H2012
- **Thailand** - PTTEP's \$2 Billion Will Be for Myanmar
- **Lao PDR** - Laos to Finish Building Four Dams This Year
- **Myanmar** - Max Myanmar Confirms 'Pulling Out' of Dawei



	Last	Chg	(%)
FTSE ASEAN	561	+1	+0.1
Singapore	2,949	+3	+0.1
Thailand	1,194	-4	-0.3
Malaysia	1,614	+6	+0.4
Indonesia	4,076	+26	+0.6
Philippines	5,355	-11	-0.2
Vietnam	411	-2	-0.6
Lao PDR	1,003	+3	+0.3
Cambodia	688	0	0.0

Source: Bloomberg as of July 4

Per USD	Last	Chg	(%)
Baht	31.46	-0.02	-0.06
Dong	20,890	0.00	0.00
Kip	8,014.00	-2.00	-0.02
Riel	4,095.40	-20.90	-0.51
Kyat	878.19	-2.46	-0.28

Per Baht	Last	Chg	(%)
Dong	664.02	+0.21	+0.03
Kip	254.74	+0.02	+0.01
Riel	130.00	+1.00	+0.78
Kyat	27.91	-0.07	-0.25

Source: Bloomberg as of July 4

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)

- July 4-11: Subscription and Payment Period

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Vietnam - NFSC Cut FY2012 Credit Growth Forecast From 15-17% To 8%

A recent report by the State Bank of Vietnam unveiled that credit extension to the economy in 2012H1 is 0.17%, showing an apparent acceleration in June. Previously, the SBV reported a negative growth of -0.28% by May 31. National Financial Supervisory Commission (NFSC) reduces their FY2012 credit growth forecast from 15-17% to 8%. The NFSC predicts 2012's GDP growth rate would likely in range of 5.3 to 5.6%, markedly lower than the government's 6.5% goal. Last month State Bank of Vietnam's credit departments estimates NPLs of 10%, which reported to the National Assembly. *We believe Vietnam economic difficulties have passed its worst. Road to recovery is still rough as numbers of banks remain weak and need to enhance their capital. Most of them are reluctant to lend in the midst of rising NPLs. Nonetheless, we believe larger corporate with sound financials are at advantages over the smaller ones in terms of access to funding sources. We expect to see more consolidation in the Vietnam banking industry. The credit growth is expected to show favorable sign later this year once the accommodating fiscal and monetary policies, launched during the past several months, begin to bear fruits.*

Vietnam - 53,000 Firms Go Bankrupt in 1H2012

In the first six months of the year, 53,000 public, private, and foreign-invested businesses declared bankruptcy or began the process, figures from the General Department of Statistics show. That includes as many as 4,100 companies in June alone. "Nearly 70% of the companies said the main cause for their dissolution is business failures," department deputy head Nguyen Bich Lam said at a meeting Friday to announce the numbers, adding that 28% "blamed capital shortage, and 15% said they could not sell their products." More than 33% of those that took out bank loans said they incurred a 19-percent interest rate, while nearly 90% said they only could afford rates below 15%. Of the total companies, 23,000 have completed bankruptcy procedures. Most that have ceased operation were in the non-state sector. Lam said those companies need government assistance because they are the most vulnerable to the economic slowdown. *Vietnam authorities have been on course for easing the business difficulties. At the beginning of July, the State Bank of Vietnam slashed interest rates for the fifth time this year, thanks to the sharp decline in inflation. The refinancing rate -- charged on loans to commercial banks -- fell to 10% from 11%. Other measures include lowering the discount rate to 8% from 9%, and the overnight inter-bank lending rate to 11% from 12%. Further cut is anticipated once the upcoming inflation figures continue their downward trend. We anticipate the system NPLs would continue to rise in the next few months and banks bottom line would come in soft this year from rising loan loss reserves and slowing credit growth.*

Thailand - PTTEP's \$2 Billion Will Be for Myanmar

PTT Exploration and Production Plc (PTTEP) says its US\$20-billion investment over five years is on course despite the euro-zone debt crisis and declining oil prices. PTTEP in January announced plans to allocate \$20 billion for exploration and production worldwide from 2012-16. That amount does not include mergers and acquisitions. Of the budget, 55% will be invested in domestic oil and gas resources and 45% in expansion abroad, mainly in Myanmar. PTTEP, the oil-and-gas exploration arm of PTT Plc, earlier projected it will commit \$2.4 billion of the five-year capital expenditure to Asean. The lion's share or \$2 billion will be for Myanmar, mainly Zawtika. The company currently has seven projects and four exploration blocks in the neighbouring country. The Zawtika field, at the offshore Block M9 in the Gulf of Martaban, is on track to come onstream next year, with initial output of 300 million cubic feet per day _ 240 million cfpd delivered to Thailand and the rest to Myanmar. The output from the Zawtika field will raise Thailand's natural gas imports from Myanmar to between 1.2 and 1.3 billion cfpd including from the nearby Yadana and Yetagun fields, said Mr Tevin. *Myanmar is the sweet spot for international oil & gas companies due to the country's abundant reserves. 10 foreign companies were exploring for oil at 24 offshore energy fields, while 8 overseas firms--as well as 7 joint ventures with local companies--were exploring 20 inland fields. Since March this year, the State-owned Myanma Oil and Gas Enterprise has already signed 9 agreements with foreign firms. They 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. Recently, the US oil companies are pushing the Obama administration to accommodate their investments in Myanmar as they are running late compared with other international firms.*

Lao PDR - Laos to Finish Building Four Dams This Year

The electricity generating capacity of Laos will continue to surge next year when four more hydropower plants become operational. According to a report from the Ministry of Planning and Investment, construction of the Theun Hinboun expansion project in central Khammuan province and the Nam Ngum 5 dam in Vientiane province are on track for completion at the end of this year. The Xekaman 3 dam in the southern province of Xekong and the Nam Xong dam in Vientiane province are also expected to be completed this year. The combined power generation capacity of the four hydropower plants is about 664MW. At present, Laos has 17 operational power plants with installed power production capacity of about 2,560MW. In addition, about 70 power plants are now in the planning and feasibility study stages. *It is estimated that Lao has hydropower potential of around 26,000MW. Electricity export is estimated to reach 25% of total export in 2012, the second to the mining exports which is estimated at 52% of total. Going forward, the share of electricity export is seen rising from the capacity expansion and strong demand from Thailand, Vietnam, and China.*

Myanmar - Max Myanmar Confirms 'Pulling Out' of Dawei

The leading local partner in the Dawei port and industrial complex in Myanmar being led by Thailand's Italian-Thai Development Pcl said on Wednesday he was pulling out of the project, adding to doubts about its viability. Reports have circulated that Max Myanmar Group, which owns 25% of Dawei Development Co Ltd, had become lukewarm about the venture. "We are pulling out from the project gradually," Zaw Zaw, Max Myanmar's owner, told Reuters by telephone when asked about the reports. He declined to elaborate further. Italian-Thai was already thought to be struggling to find financial backing for the \$50 billion, 250 sq km (97 sq mile) complex that was planned to include a deep-sea port, steel mills, refineries a petrochemical complex and power plants, although the government had already vetoed a coal-fired power station. *We believe the pull out would add more difficulties to Italian Thai Development as the company needs a strong local partner. Competitions are intensifying as Japan and South Korea have also expressed their interests in investment into large-scale projects in Myanmar. In a bid to support the project, Thailand has approved 203 projects that cost more than 30 billion baht (US \$1 billion) in May. The project will help spur the Burmese economy while upgrading the western part of Thailand into a new trade hub.*