

Tuesday June 5, 2012

The Market

VN Index Hit 3-Mth Low with Volume Jumped; LSX Unchanged while CSX Hit Floor Limit

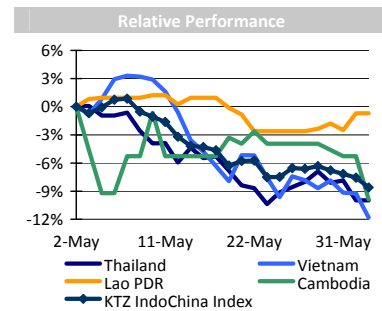
VN Index slumped by 2.83% to close at 416.65 on Monday, the lowest since Feb 21, led by industrial and material stocks after Friday's report of HSBC Vietnam May manufacturing which hit 3 months low on weak demand. The turnover jumped to VND 2.4 trillion (USD 117 million), the highest since April 18 while foreign net sell reached VND 112 billion (USD 5.3 million), the highest since April 19.

LSX Index was unchanged at 1,015.25, only BCEL shares traded on sparse volume of only 20,000 shares while EdL Gen had no trade done. CSX Index slumped by 4.86% to close at 736.56, hitting a 5% floor limit after Friday's market closed for International and Cambodian Children Day. The turnover was still relatively low at KHR 357 million (USD 88,257).

As the global markets still tumbled on 'Grexit' uncertainty and disappointing U.S. job and Chinese Manufacturing & Services reports, VN market flirted with a correction following the long-streak rally around 18% earlier this year. We believe the Indochina market would recapture some of its losses Tuesday as investors are upbeat on the favorable outcome from G7 Emergency meeting later Tuesday.

The News

- **Vietnam** - Manufacturing PMI in May Down to Lowest Level
- **Vietnam** - Vietnam Central Bank Plans Further Rate Cuts to Spur Lending
- **Vietnam** - IMF Says Vietnam Should Focus on Inflation Over Rate Reductions
- **Vietnam** - Electric Rates To Be Competitive
- **Lao PDR** - Thai Government Approves THB900 Million For Laotian Infrastructure Development
- **Thailand** - CK Affirms Commitment To Xayaburi
- **Myanmar** - Myanmar to Host WEF In 2013
- **Myanmar** - Burma Signs Deal for New Power Plant to Serve Rangoon
- **Malaysia** - RHB Plans More Acquisitions To Boost Overseas Presence



	Last	Chg	(%)
FTSE ASEAN	511	-8	-1.5
Singapore	2,699	-47	-1.7
Thailand	1,115	Closed	Closed
Malaysia	1,555	-18	-1.2
Indonesia	3,655	-145	-3.8
Philippines	4,890	-172	-3.4
Vietnam	417	-12	-2.8
Lao PDR	1,015	0	0.0
Cambodia	737	-38	-4.9

Source: Bloomberg as of June 4

* Thai market closed for Wisaka Busha Day

Per USD	Last	Chg	(%)
Baht	31.56	-0.21	-0.66
Dong	20,920	+55.00	+0.26
Kip	8,028.00	-6.00	-0.07
Riel	4,053.80	-40.90	-1.00
Kyat	836.08	-7.35	-0.87

Per Baht	Last	Chg	(%)
Dong	662.15	+7.92	+1.21
Kip	254.37	+2.52	+1.00
Riel	129.00	+1.50	+1.18
Kyat	26.49	+0.05	+0.20

Source: Bloomberg as of June 4

Upcoming Market Holiday:

Cambodia

- June 18: Birthday of Her Majesty the Queen-Mother Norodom Monineath Sihanouk

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Vietnam - Manufacturing PMI in May Down to Lowest Level

Vietnam's Manufacturing Purchasing Managers' Index (PMI) dropped from 49.5 in April to 48.3 in May, the lowest level in 3 months. The latest reading was one index point lower than the average since the survey began in April 2011 (49.3). This pointed to a moderate deterioration of overall business conditions, and thereby extended the current period of decline to 2 months. May data indicated a sharper decline in output levels than in the previous month, which survey respondents linked to less favourable economic conditions and an associated reduction in new business intakes. [\[Voice of Vietnam\]](#)

Vietnam - Vietnam Central Bank Plans Further Rate Cuts to Spur Lending

The State Bank of Vietnam has said it may reduce the maximum limit on deposit interest rates to 9% by the end of the year in an attempt to make loans cheaper for businesses. The cut will be made if the economy is stable and inflation is under control, the central bank told a group of the nation's largest lenders last week. The deposit rate cap was lowered to 11% from 12% on May 28. The central bank also cut key policy rates by 1% for the third month in a row, bringing refinancing rate to 12% and discount rate to 10%. [\[Thanh Nien News\]](#)

Vietnam - IMF Says Vietnam Should Focus on Inflation Over Rate Reductions

Vietnam's central bank should prioritize containing inflation and be cautious about lowering interest rates further after reductions in the past 3 months, the International Monetary Fund said. The government should focus on economic stability even if it means accepting "somewhat slower growth," Sanjay Kalra, the IMF's resident representative for the country, said in a statement. Vietnam has a history of loosening monetary policy prematurely, and the rate cuts may cause price pressures to re-emerge in as little as 3 months, the World Bank said separately Monday. [\[Bloomberg\]](#)

Vietnam - Electric Rates To Be Competitive

Viet Nam is preparing for the official launch of the competitive power generation market on July 1 after postponing it several times, the Government website reported. The market would operate under the model of a cost-based pool in which power producers had the right to offer power prices based on the market. All electricity output would be sold to a single wholesale enterprise. The competitive power generation market would ensure competition in power manufacture and pricing for the benefit of both enterprises and consumers while attracting more investments into the power generation. Power plants with capacities of more than 30MW, excluding wind power and geothermal plants, would be allowed to join the market. Viet Nam was scheduled to run a competitive power generation market until the end of 2014 then turn to a competitive power wholesale market by 2015. [\[VietNamNet\]](#)

Lao PDR - Thai Government Approves THB900 Million For Laotian Infrastructure Development

Thai Prime Minister Yingluck Shinawatra has signed a 900 million baht loan agreement to help develop infrastructure in the Lao People's Democratic Republic. The prime minister also indicated readiness to forge ahead with the construction of a railway linking the two countries. The prime minister, along with her Lao counterpart Prime Minister Thongsing Thammavong, held a joint press conference after their discussion on a number of issues. Prime Minister Yingluck revealed that the discussion led to the signing of a loan agreement earmarked for the development of infrastructure in the Lao People's Democratic Republic. To be constructed are a road from Thailand's Uttaradit province to Xayaburi in Laos, and an airport in the Lao city of Pakse. The discussion also covered other aspects of cooperation, such as construction of more Thai-Lao bridges across the Mekong, and the suppression of cross-border crime, drugs and human trafficking. The Lao leader returns home today after a three-day official visit. [\[INN\]](#)

Thailand - CK Affirms Commitment To Xayaburi

The SET-listed Ch Karnchang Plc (CK) remains committed to the Xayaburi hydroelectric dam in Laos despite the project having been officially halted. "The Lao government will ultimately make the final decision on whether the project will go ahead, but we want to wait for all stakeholders in the Greater Mekong Subregion to agree with it," said Aswin Kongsiri, chairman of the CK board. Xayaburi faces strong opposition from environmentalists and some members of the 4-nation Mekong River Commission, especially Vietnam. Laos postponed construction of the dam last month. Xayaburi Power, 30% owned by CK, has signed an THB85billion loan agreement with 6 banks and also a 29-year power purchase agreement with the Electricity Generating Authority of Thailand (Egat). "Egat remains committed and is very keen to buy electricity from Xayaburi, as hydropower is very cheap." [\[Bangkok Post\]](#)

Myanmar - Myanmar to Host WEF In 2013

Myanmar will host the World Economic Forum (WEF) on East Asia next year, which it hopes will promote the country to potential investors and bring in badly needed foreign exchange. Energy Minister Than Htay, who was in Bangkok on behalf of Myanmar's Prime Minister Thien Sein, proudly unveiled the WEF's acceptance of Myanmar's invitation to the audience of the forum's Bangkok summit, which drew to a close last week. [\[Cambodia Herald\]](#)

Myanmar - Burma Signs Deal for New Power Plant to Serve Rangoon

An agreement to build a new 500MW gas-fired power plant has been signed by the Burmese Minister for Electric Power No-2, Khin Maung Soe. The plant could be completed in about 1 year. The agreement involved a MOU that said the plant will be built in Thakayta Township by the ministry in cooperation with BKB Consortium (South Korea) and Hexa International by BOT/JV system. It will generate 500MW and distribute more electricity to Rangoon and its environs, which has suffered extreme power shortages in recent weeks. "We are going to build a 600 megawatt (MW) coal-fired plant with Japanese J Power and another 500MW gas-fired power plant with South Korea, Deputy Minister for Electric Power 2 Aung Than Oo said earlier. [\[Mizzima\]](#)

Malaysia - RHB Plans More Acquisitions To Boost Overseas Presence

After the acquisition of OSK Investment Bank, RHB Capital Bhd (RHB Cap) is still interested in further acquisitions to boost its overseas presence. "It is one of the pieces that is taking us closer to our goals." RHB Cap group managing director Kellee Kam said. "It is a journey towards our vision to build a leading multinational financial services group with Asean and North Asia as a focus." [\[Malaysia Star\]](#)