

Wednesday June 6, 2012

The Market

VNX Rebounded in Line with Regional on G7 & ECB Spotlight; LSX Flat; CSX Losses Eased

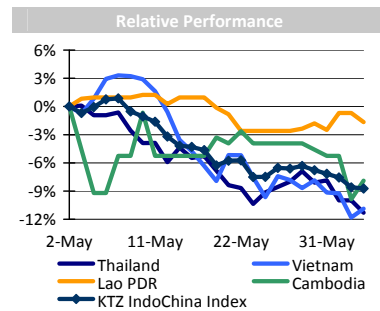
VN Index rebounded from yesterday's 2.83% loss to close at 421.02, up 1.05% on Tuesday, in line with regional peers, ahead of a G7 emergency conference call and ECB's policy meeting. Banks shares climbed after a rumor that the SBV may lift bank's foreign ownership limit. The turnover was high at VND 2.08 trillion (USD 99 million). Foreign investors remained net seller for the 2nd consecutive day at VND 111 billion (USD 5.3 million).

LSX Index held above 1,000, down 0.97% to close at 1,005.44 with low turnover of LAK 377 million (USD 47,000). EdL Gen overwhelmed the market, down 1.02% to close at LAK 4,850 while BCEL was down 0.72% to close at LAK 6,850. Meanwhile, CSX Index recouped some of Monday's 4.86% slump, up 2.19% to close at 752.69 with low turnover of KHR 66.5 million (USD 16,400).

The Indochina market sentiment would remain volatile after the comments on G7 meeting were made only from Japan's Finance Minister and the U.S. Treasury. G7 leaders pledged to closely monitor Europe but there was no official statement. However, investors are likely to cool off and look for bargains ahead of ECB's policy meeting later Wednesday. The market anticipates additional monetary stimulus action from ECB after the Reserve Bank of Australia cut its key rate by 25 bps to 3.5%, as expected, to counter sluggish domestic growth.

The News

- **Vietnam** - Vietnam To Lift Foreign Ownership Ratio Limit In Vietnamese Banks
- **Vietnam** - Vietnam 2012 Growth May Be as Low as 5.2%, Official Says
- **Lao PDR** - EDL-Gen Studies Share Market Demand
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- **Myanmar** - Burma's Nuclear Plans Are Over, Says Defence Minister
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	Last	Chg	(%)
FTSE ASEAN	513	+3	+0.5
Singapore	2,712	+13	+0.5
Thailand	1,099	-16	-1.4
Malaysia	1,560	+5	+0.3
Indonesia	3,718	+63	+1.7
Philippines	4,926	+35	+0.7
Vietnam	421	+4	+1.0
Lao PDR	1,005	-10	-1.0
Cambodia	513	+3	+0.5

Source: Bloomberg as of June 5

Per USD	Last	Chg	(%)
Baht	31.63	+0.07	+0.22
Dong	20,950	+30.00	+0.14
Kip	8,020.00	-8.00	-0.10
Riel	4,029.10	-24.70	-0.61
Kyat	837.89	+1.80	+0.22

Per Baht	Last	Chg	(%)
Dong	662.14	-0.01	-0.00
Kip	253.48	-0.90	-0.35
Riel	129.00	0.00	0.00
Kyat	26.48	-0.01	-0.04

Source: Bloomberg as of June 5

Upcoming Market Holiday: Cambodia

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

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Vietnam - Vietnam To Lift Foreign Ownership Ratio Limit In Vietnamese Banks

Foreign investors have got excited in the news that the State Bank of Vietnam is considering raising the maximum proportions of stakes foreign investors can hold in a Vietnamese bank, according to a report from VietNamNet. However, there has been no information about the new cap. Sumit Dutta, Chief Executive Officer of HSBC Vietnam, said that the higher foreign ownership ratio would not only allow foreign bankers to more quickly penetrate the Vietnamese market, but also help Vietnam ease the financial pressure in the banking system reshuffle. The State Bank of Vietnam currently caps the foreign ownership ratio at 20%. The most important thing that foreign investors want to have when making investment in Vietnamese banks is not the percentages of stakes they can hold, but the right to rule the banks. They may hold only 20-30% of stakes, but they need to have the right to operate the banks. We believe it is probably the right time to ease the ownership limit as Vietnam banking sector is significantly weaker from slower credit growth whilst bad debts are rising. Numbers of banks are in needs for consolidation.

Vietnam - Vietnam 2012 Growth May Be as Low as 5.2%, Official Says

Vietnam's planning ministry said that economic growth may slump to as low as 5.2% in 2012, which would be the slowest pace in more than a decade. The economy has been buffeted this year by a credit crunch after the central bank pushed up interest rates last year to fight the fastest inflation in Asia, and with some Vietnamese banks' ability to lend constrained by a lack of capital amid concern about the health of the financial system. The economy grew 4% in the first quarter, the slowest since 2009. The pace of expansion for the full year may be in a range of 5.2 to 5.5%, with second-quarter growth likely to reach about 4.5%, Deputy Minister of Planning & Investment Cao Viet Sinh, said in an interview yesterday at a conference in the central Vietnamese town of Dong Ha, according to Bloomberg. We believe Vietnam has come to the right track by successfully cooling off its economy from overheating last year. Nonetheless, investors remain skeptical whether the authorities will relax their policy too soon which might cause price pressures to re-emerge.

Lao PDR - EDL-Gen Studies Share Market Demand

EDL-Gen, Laos' major electricity producer, is assessing market demand before deciding whether to issue new ordinary shares so that it does not suffer a disappointment by mistiming the offer, according to a report by Venetian Times, a domestic newspaper. The public company this week assigned BCEL-KT, one of two securities companies in Laos, to assess the market demand for EDL-Gen shares, believing it will help the company to set up a precise timeframe for the issue of new ordinary shares after suffering a setback at the end of last year. EDL-Gen had planned to issue new ordinary shares at the end of last year in hopes of mobilising at least 5,600 billion kip (US\$700 million) to acquire Electricite du Laos shares in six Independent Power Producer projects. But the share issue was postponed when few people expressed interest in making a purchase. The company has now revised its plan to increase its capital and hopes to issue the new ordinary shares this year, with the aim of boosting power output. According to information from BCEL KT, which is the underwriter for EDL-Gen, current shareholders and new investors who want to purchase new ordinary shares issued by EDL-Gen can express their interest to the securities company. We have a BUY recommendation on EDL-Gen (EDL:LS) with the fair value estimate of LAK 10,227 (USD 1.28). The stock, currently trading at LAK 4,850 (USD 0.60) a share, offers a 110% upside.

Cambodia - Officials Say Cambodia's Price Rises Manageable

Cambodia's inflation rose by 5.49% year-on-year in the first quarter of the year, due to increases in food and fuel prices, according to the monthly data from the National Institute of Statistics compiled by Phnom Penh Post, a domestic paper. However, economists and government officials said they were not concerned about any impact on the country's macro economy. The data showed the price of gasoline rose by 13.12%, food and non-alcoholic beverages rose by 6.87%, milled rice went up by 6.67%, meat increased about 15%, of which pork rose by 19%, fish and seafood increased by 5%, vegetables rose by 8.58%, alcoholic beverages, tobacco and medicines increased by 1.22%, clothing and footwear by 4.23%. Meanwhile electricity, cooking gas and other fuels went up 2.64%, transport rose by 7.76% and miscellaneous goods and services rose by 9.36%. We believe Cambodian inflation of around 5% is manageable. Inflation in 2011 was at 5.5% and in March this year was 5.4%. Given the global oil prices have begun easing, the inflation should be less of a worry.

Myanmar - Burma's Nuclear Plans Are Over, Says Defence Minister

Burma's government has halted fledgling research on the peaceful use of nuclear power, the country's defence minister said. Lieutenant General Hla Min told an Asia security conference in Singapore that the academic research had not progressed much because of what he called practical constraints. "In this new government, we have already given up all activities of nuclear issues. We have no future plans to extend on this," he said through an interpreter, according to a local press Democratic Voice of Burma. Hla Min acknowledged that Burma's previous government, dominated by the military, had started academic studies on the peaceful use of nuclear power. "In the case of the nuclear issue, we have already said very clearly that it is not for defence, it is not for weapons," he said at the summit, which gathers mostly Asian defence officials. A 2010 United Nations report accused Pyongyang of supplying banned nuclear and ballistic equipment to Burma, Iran and Syria. We believe it might be premature to comment on the issue but the relationship between Myanmar and Pyongyang has to be closely monitored.

Malaysia - Malaysia Can Become Suitable Financing Force For Oil & Gas Sector

Malaysia can become a suitable financing force for future multi-billion oil and gas projects due to its strong and steady financial services sector, according to Bernama. CIMB Investment Bank CEO, Datuk Charon Wardini Mokhzani, said Malaysia could become the financing hub for the oil sector due to its strong economic and loan growth and being the world's number one issuer of sukuk or Islamic Bond. He said Malaysia, a strong middle income country, accounted for 70% of the world's sukuk market. HSBC Bank Malaysia chairman, Mukhtiar Hussain, said the oil and gas sector was considering Islamic finance as one of the new channels to finance the projects. The International Energy Agency (IEA) has predicted that Malaysia would become a net importer of oil and gas in 2017, due to increasing domestic demand. We believe the rapidly growing Indochina countries, particularly Malaysia and Thailand, are reaching out for importing energy not only for oil & gas but also for the electricity.