

Monday July 9, 2012

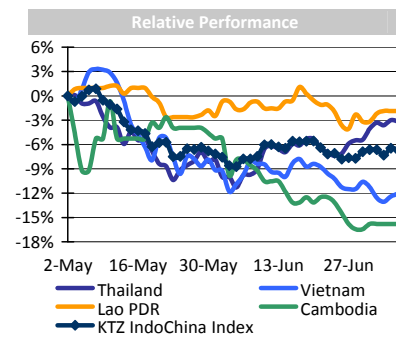
The Market

VN Index Up for the Second Day in July; LSX and CSX Unchanged with Low Volume

VN Index traded most of the session in the positive territory and closed on Friday at 415.44, up 0.39%, the second day gains for the month. Among 30 blue chips in the VN30 Index, Tan Tao Investment (ITA) and Saigon Securities (SSI) were the active gainers, adding 1.5% and 0.5%, respectively. The HCM market turnover was low at VND 629.3 billion (USD 30.1 million). Foreign investors remained net buyers worth VND 379 million (USD 18,100).

LSX Index was unchanged for the second day at 1,003.33. The market turnover was low at LAK 203 million (USD 25,300), down 56% from the day earlier. Foreign investors were net buyers worth LAK 84 million (USD 10,400). Meanwhile, the CSX Index was stagnant at 688.17 for the fourth day in a row. The market turnover was light at KHR 57.5 million (USD 14,000), down 17% from the day earlier.

Despite the Indochina markets' quiet trade, we believe the markets are currently offering an opportunity for long-term investors as the stocks are at bargains. The upcoming stock listings in LSX and CSX, currently in the pipeline, would boost the market liquidity going forward.



Source: Bloomberg as of July 6

	Last	Chg	(%)
FTSE ASEAN	561	-1	-0.3
Singapore	2,979	+7	+0.2
Thailand	1,200	-2	-0.1
Malaysia	1,621	+6	+0.4
Indonesia	4,055	-15	-0.4
Philippines	5,363	-7	-0.1
Vietnam	415	+2	+0.4
Lao PDR	1,003	0	0.0
Cambodia	688	0	0.0

Source: Bloomberg as of July 6

Per USD	Last	Chg	(%)
Baht	31.75	+0.21	+0.67
Dong	20,885	+5.00	+0.02
Kip	8,022.50	+6.50	+0.08
Riel	4,134.65	+26.75	+0.65
Kyat	891.94	+8.47	+0.96

Per Baht	Last	Chg	(%)
Dong	660.13	-2.04	-0.31
Kip	253.64	-0.52	-0.20
Riel	129.00	0.00	0.00
Kyat	28.20	+0.19	+0.67

Source: Bloomberg as of July 6

The News

- **Vietnam** - HNX30 Index to Officially Be Launched on July 9
- **Vietnam** - Vietnam Tells Lenders to Cut Loan Rates as Bad Debt at 4.47% in May
- **Cambodia** - Real Estate Firm Ready for CSX Listing
- **Cambodia** - Government to Cut Power Subsidies
- **Lao PDR, Cambodia and Vietnam** - Clinton to Visit This Week

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 - HNX30 Index to Officially Be Launched on July 9

Hanoi Stock Exchange (HNX) has said that it would officially organise a press conference to introduce the HNX 30" Index at its headquarters. According to HNX, after a period of research and trial run, HNX will be officially launching the HNX 30 Index on July 9. The contents of the press conference include: Publication of the HNX 30 Index rules, the list of top 30 stocks in the basket of HNX 30 indicator and discussions to exchange information, answer questions related to the HNX 30 Index. Attending the press conference will be representative leaders of the State Securities Commission (SSC), the HNX 30 Index Council and HNX's leader board. *According to our record, the HNX30 tracks the Ha Noi Stock Exchange's 30 leading shares in terms of market capitalisation and liquidity. The number of stocks in each sector will not exceed 20% of the total 30 shares. The shares would be revised every six months, in April and October. Special revision would be conducted to eliminate underperforming stocks and ensure other notable stocks would not be neglected. The Index accounted for 60% of the total Ha Noi market value last year and 55% per cent of market capitalisation on December 30.*

Vietnam - Vietnam Tells Lenders to Cut Loan Rates as Bad Debt at 4.47% in May

Vietnam's commercial banks should reduce interest rates on outstanding loans and help businesses struggling in a slowing economy, the central bank said. Lenders must cut rates on existing loans to companies to below 15%, Governor Nguyen Van Binh told a banking conference in Hanoi. Credit growth slowed to 0.76% from end-2011, the central bank said. Bad debts accounted for 4.47% of total lending as of end-May, the central bank said. Banks are facing difficulty lending as the economic slowdown affects companies and crimps loan demand. *Last month, non-performing loans rose to 4.14% of total lending to 108.6 trillion dong (\$5.18 billion) as of April. Non-performing loans stood at 3.07% at the end of last year. The State Bank of Vietnam lowered the refinance rate to 10% from 11% and the discount rate to 8% from 9%, effective July 1, the fifth cut since the beginning of the year. However, banks are still reluctant to lend and keep their lending rate at high levels. We expect the system NPLs would continue its upward momentum in 3Q12 and would dent Vietnam banks' profitability this year from increasing loan loss reserves.*

Cambodia - Real Estate Firm Ready for CSX Listing

Bonna Realty Group will prepare to list on the Cambodia Securities Exchange, the company's president said this week. The real estate firm joins a small but growing group of private companies that say they are gearing up for initial public offerings on the new exchange. No concrete time frame for listing was given, but the IPO could come in as early as one year. Sung Bonna, the group's president, revealed that the company would build a skyscraper called Bonna Tower, but he declined to give a time frame or location for the project. Last week, Phnom Penh Securities Firm Plc announced it was in the final stages of preparing disclosure documents for two foreign-owned garment factories, QMI and TY Fashion. IPOs were expected by the end of the year. The Foreign Trade Bank of Cambodia has also expressed interest in listing. Insiders earlier this year said about 10 private companies were mulling the listing option. State-owned firms Telecom Cambodia and Sihanoukville Autonomous Port were expected to list this year, but the government-induced IPOs may wait until next year. *The Cambodia stock market performance disappointed investors with its recent poor performance and low liquidity. Nonetheless, with increasing numbers of listed companies, the market performance and trading liquidity should improve significantly. Currently, Phnom Penh Water Supply Authority (PPWSA) is the only listed company in the CSX.*

Cambodia - Government to Cut Power Subsidies

The government will drop subsidies for high electricity use, after the Electricity Authority of Cambodia (EAC) reported losses of US\$3 million between January and May this year. Households consuming more than 200 KW/h per month will no longer receive a 100 to 200 riel per KW/h subsidy said Ty Thany, financial director of (EAC). Improvements in the standard of living and an increasing number of middle class Cambodians in Phnom Penh were factors in the government's decision to stop the subsidy for large-volume electricity users, according to Ty Thany. There was no change on the electricity tariff but the subsidy for households that use more than 200 KW/h per month were reduced, he said. "People who use more than 200 KW/h per month, have a better standard of living so they should not get the subsidy from the government anymore," he said. *Electricity price in Cambodia is significantly higher than other neighboring countries at around USD 15-17 cents. The price in Vietnam is between USD 5-9 cents per KW/h and in Thailand is around USD 6-9 cents. Experts said the high price in Cambodia, would help attracts foreign investment in the country. We believe, however, that cutting the subsidy is necessary to curb the excess consumption. In the longer term, improving the electricity production efficiency in an effort to bring down the prices is crucial to support the economic development.*

Lao PDR, Cambodia and Vietnam: Clinton to Visit This Week

U.S. Secretary of State Hillary Rodham Clinton will skip Burma but she will visit Laos, Cambodia and Vietnam as part of an eight-nation tour, which started on last Thursday. She will arrive in Hanoi on July 10, after stops in Japan and Mongolia, where she will meet with senior Vietnamese leaders and witness the signing of several agreements covering education exchanges and commercial contracts and meet with representatives of the U.S. and Vietnamese business communities. On July 11, she will arrive in Vientiane, the first visit by a U.S. secretary of state in 57 years. She will meet with Prime Minister Thongsing Thammavong and other senior government officials to discuss a variety of bilateral and regional issues, including the Lower Mekong Initiative and Asean integration efforts. Later, on the same day she will arrive in Phnom Penh to participate in regional conferences, to both chair and attend ministerial events and to participate in bilateral meetings with Cambodian officials. Regional conferences include the Asean Regional Forum, the East Asia Summit Foreign Ministers Meeting, and the U.S.-Asean Post-Ministerial Conference. She will co-chair the Lower Mekong Initiative Ministerial as well as chair the Friends of the Lower Mekong Ministerial Meeting. *President Barack Obama's administration launched the Lower Mekong Initiative in hopes of supporting the environment, health and education in the populous region as part of a renewed effort to build relations with Southeast Asia. Apparently, strengthening ties with Indochina countries affirms the increasing importance of the region particularly against the rising China. The U.S. said earlier that, by 2020, it would put about 60% of its warships in the Asia-Pacific region from currently 50%.*