

Monday June 11, 2012

The Market

VN Index Could Not Hold above 440 from External Factors; LSX & CSX Flat

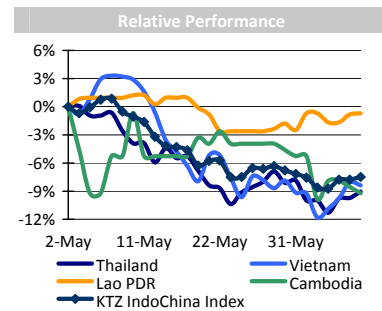
VN Index Friday broke above 440 but could not hold, closed 0.35% lower at 432.90, the lowest level of the day despite domestic positives from interest-rate cut and fuel prices reduction. The index hit an intraday high of 441.46 in the morning session. Turnover was moderate at VND 1.19 trillion (USD 57 million). Foreign investors remained the net seller for the fifth consecutive day at VND 22 billion (USD 1 million), down 81% from Thursday's figure.

LSX Index edged higher by 0.13% to close at 1,015.25, the second consecutive day of gains, led by BCEL which up 0.73% to close at LAK 6,900. EdL Gen was unchanged at LAK 4,900 but its volume hit a one-week high at 84,778 shares. Meanwhile, CSX Index closed at 741.94, down 0.72%. Both Lao and Cambodia's market turnovers were relatively low at LAK 586.8 million (USD 73,100) and KHB 58.4 million (USD 14,300) respectively.

The global markets rally faded Friday after Bernanke disappointed the market on further stimulus, overwhelming a surprise interest rate cut by China announced earlier. Despite better economic environment and healthy growth in Indochina market, we believed that global uncertainty ahead of Greek election would continue to dampen the sentiment in the region.

The News

- **Vietnam** - Japanese Firms Eye Mergers, Acquisitions Across Vietnam
- **Vietnam** - BIDV's Q1 Net Profit Up 41%; To be Listed by July
- **Vietnam** - First China-Vietnam Expressway Expected to Open in 2013
- **Lao PDR** - Laos Clears WTO Entry Hurdle, Yemen Still Trying
- **Thailand** - NESDB: Push for Government Supports Thai Investors on Dawei



Source: Bloomberg as of June 8

	Last	Chg	(%)
FTSE ASEAN	523	-6	-1.0
Singapore	2,738	-21	-0.8
Thailand	1,127	+9	+0.8
Malaysia	1,571	-5	-0.3
Indonesia	3,825	-15	-0.4
Philippines	4,994	-29	-0.6
Vietnam	433	-2	-0.3
Lao PDR	1,015	+1	+0.1
Cambodia	742	-5	-0.7

Source: Bloomberg as of June 8

Per USD	Last	Chg	(%)
Baht	31.62	+0.09	+0.29
Dong	20,985	-13.00	-0.06
Kip	8,021.00	+3.00	+0.04
Riel	4,138.70	+85.70	+2.11
Kyat	848.00	+11.16	+1.33

Per Baht	Last	Chg	(%)
Dong	662.38	-3.27	-0.49
Kip	253.03	-1.15	-0.45
Riel	128.00	-1.00	-0.78
Kyat	26.75	+0.22	+0.84

Source: Bloomberg as of June 8

Upcoming Market Holiday: Cambodia

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

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Vietnam - Japanese Firms Eye Mergers, Acquisitions Across Vietnam

Japanese companies are extremely interested in investing in VietNam through the mergers and acquisitions route, Onji Yoshimitsu, CEO of Japan's RECOF Corporation, said. Japan's decreasing domestic demand based on population decline is not a short-term phenomenon, so many companies are eager to expand to areas where population and economic growth can be expected. Japanese companies have been highly interested in doing M&A deals in Asia, particularly Vietnam, looking at the country as both a growth market and production base. Number of deals with Vietnamese companies increased by 80% last year to 18, placing the country in the fifth position in Asia and higher than Malaysia (17) or Thailand (12). The trend has continued this year with 8 deals between Vietnamese and Japanese companies announced by May. *We have seen a significant increase in interests in Vietnam investment given that its economy shows signs of stabilizing. Mizuho has invested USD 544 million for a 15% stake in Vietcombank. Sumitomo Mitsui acquired a 15% in EXIM Bank for USD 338 million while Sojitz Corp bought Interflour Vietnam for USD 125 million. Researchers expect the M&A activities to continue rising above 30% in 2012. Average growth rate of M&A activities reached 30% for 5 recent years. The country's M&A deals soared to an impressive growth level with \$4 billion in 2011 from \$1.7 billion in 2010. Of which, M&A deals involving foreign investors' participation was \$2.6 billion.*

Vietnam - BIDV's Q1 Net Profit Up 41%; To be Listed by July

BIDV, Vietnam's top partly private bank by assets which plans to list its shares in the stock market in late June, posted a 41% jump in first-quarter net profit to 1,401 billion dong (\$66.8 million) as loan-loss provisions declined. The bank set aside just 27 billion dong for provisions in the first quarter ended March compared with 1.25 trillion dong in the same quarter of last year, the bank said in its first-quarter financial statement Thursday. Total assets of Hanoi-based BIDV as on March 31 were 419.11 trillion dong, up 3.3% from the end of 2011 and which lifted it past VietinBank to become the biggest among Vietnam's 39 partly private banks. *We believe BIDV will be in focus among investors upon its trading debut, supported by its improving profit as well as the recent outlook upgrade from S&P. The rating agency last week revised the outlooks on BIDV to stable from negative. S&P affirmed its 'B+/B' issuer credit ratings on the bank. Earlier, a BIDV director said that the bank's listing may be delayed till July 2012 because the bank is waiting for the fiscal statement in the first six months of 2012 to provide more financial information for shareholders before officially listing shares on the Hochiminh Stock Exchange (HoSE).*

Vietnam - First China-Vietnam Expressway Expected to Open in 2013

The first expressway linking southwest China's Yunnan Province and Vietnam will open to traffic next year, local authorities confirmed Sunday. The 600-km journey from Kunming, provincial capital of Yunnan, to Hanoi, capital of Vietnam, will be reduced to six to seven hours from 12-plus hours, according to the provincial communication department of Yunnan. China and Vietnam will be connected by expressway once construction on a 250-km expressway is finished in Vietnam, and linking the countries via expressway will greatly reduce transportation costs and boost the regional economy. Three other cross-border highways leading to Thailand, Myanmar and India are also under construction. *We believe the regional connectivity has been shaping up well, particularly among Indochina countries and with China. In 2010, China launched the Bridgehead Strategy to build Yunnan, which borders Myanmar, Laos and Vietnam, into a social and economic corridor toward South Asia and Southeast Asia. Improving infrastructure developments will cut delivery cost and time significantly. It also means opening up of new markets among regional countries. For instance, the high-speed railway project connecting Kunming-Vientiane-Bangkok-Singapore of 3,900 km will shorten traveling time to Singapore from 72 hours to 10 hours. With the improving logistics, we foresee the solid pick-up in trades across the region which will support growth among Indochina countries in coming years.*

Lao PDR - Laos Clears WTO Entry Hurdle, Yemen Still Trying

Laos has cleared the last major hurdle in its 15-year quest for membership of the World Trade Organization and could finalise entry terms by the end of the year, according to internal documents seen by Reuters. Laos is on the home straight to membership after reaching agreement with Ukraine, the last WTO member to consent. Under WTO rules, every existing member has the right to demand improved terms of trade from candidate countries before letting them into the global trading club. Ukraine is still holding out on terms for Yemen, causing concern among other members who have asked for an update when the WTO gathers for its General Council meeting in July. Yemen and Laos are both designated "least developed countries" (LDCs) by the WTO, which means existing members are expected to give them a relatively easy ride and not to ask them to lower their trade barriers. *We believe this is a great milestone for Lao. Laos has already concluded bilateral agreements with Australia, Canada, China, the EU, Japan, Korea, Taiwan, and most recently with the US. Becoming a WTO member means that Laos can enjoy the same benefit as other member countries in exporting and importing goods. The WTO currently has 153 country members and covers 90% of world trade.*

Thailand - NESDB: Push for Government Supports Thai Investors on Dawei

The Thai government is being urged to prioritise investment promotion at Dawei, establishing a border town and constructing infrastructure to link to its port, which is predicted to become an economic engine in Asia. The National Economic and Social Development Board (NESDB) proposed the government consider urgent and serious investment privileges, both for tax and non-tax measures, to support Thai investors in Myanmar. The private sector should also be able to access financial support from the government and other inducements for investment. The Thai government has not decided on a location for a border economic zone, but it needs to create a border checkpoint to facilitate customs procedures and establish a one-stop service for foreign-labour daily border crossings in the zone. Roads, rail, an energy pipeline and an electricity grid between Dawei and significant economic areas in Thailand need to be built. *Last month, the Thai cabinet approved projects worth Baht 33.11 billion to be implemented in eight provinces in the lower Central Plains to support development projects in Dawei. The economic zone could be at the hub of trade connecting Southeast Asia and the South China Sea, via the Andaman Sea, to the Indian Ocean, receiving goods from countries in the Middle East, Europe and Africa, and spurring growth in the whole ASEAN region. Thailand is in a superb logistic location to benefit the most from the project.*