

Wednesday June 13, 2012

The Market

VN Index Slid 1% on Low Volume; LSX & CSX Unchanged

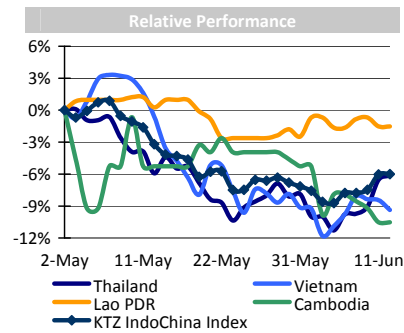
VN Index slid 1% to close at 428.16 Tuesday while its turnover dropped 28% from Monday's level to VND 838 billion (USD 39.9 million). In contrast, the blue chip stocks such as Vietinbank (CTG) and Developers Hoang Anh Gia Lai (HAG) bucked the trend adding 0.47% and 0.36%, respectively. Foreign investors remained the net sellers for the seventh consecutive day at VND 60 billion (USD 2.8 million), down 31% from a day earlier. During the last seven trading days, net foreign selling stood at a hefty VND 560 billion (USD 26.6 million).

LSX Index was unchanged at 1,006.77. Only EdL Gen shares were traded in the market with 21,500 shares changing hands. Meanwhile, CSX Index was also unchanged at 731.18. Its turnover was relatively low at KHR 176 million (USD 21,900).

Indochina stock markets' trading volume has been light and stocks moved sideways in the recent weeks. Investors are waiting for the result of Greece's election this coming Sunday. We believe the downside from the current level is limited. The Indochina economy is resilient to the external disturbances.

The News

- **Myanmar** - Max Myanmar Pulls Out of Dawei Project
- **Vietnam** - Electricity Loss Estimated At \$310.4 Mln in Jan-May
- **Vietnam** - Vietnam to Propose Oil, Gas Development With Japan
- **Cambodia** - Banks Loans Grew 35% in 1Q12
- **Lao PDR** - Lao Agribusiness Set to Benefit From WTO Membership



	Last	Chg	(%)
FTSE ASEAN	531	-1	-0.1
Singapore	2,797	+9	+0.3
Thailand	1,163	+5	+0.4
Malaysia	1,576	-2	-0.1
Indonesia	3,853	-14	-0.4
Philippines	5,076	-	-
Vietnam	428	-4	-1.0
Lao PDR	1,007	0	0.0
Cambodia	731	0	0.0

Source: Bloomberg as of June 12

*Philippines market closed for Independence Day

Per USD	Last	Chg	(%)
Baht	31.55	-0.11	-0.35
Dong	20,910	-80.00	-0.38
Kip	8,018.00	+0.50	+0.01
Riel	4,091.95	+2.00	+0.05
Kyat	842.99	+0.83	+0.10

Per Baht	Last	Chg	(%)
Dong	661.33	-1.09	-0.16
Kip	254.25	+0.97	+0.38
Riel	128.00	-1.00	-0.78
Kyat	26.72	+0.12	+0.43

Source: Bloomberg as of June 12

Upcoming Market Holiday: Cambodia

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

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Myanmar - Max Myanmar Pulls Out of Dawei Project

The Max Myanmar Group, a Burmese company, will no longer be involved in the Dawei project, a huge deep-sea port and industrial complex project in southern Burma, a business source in Rangoon told Mizzima on Monday. The source, who is close to the group, said the company “had given up its stake”, according to a report from Mizzima, a local press. In January, Max Myanmar said it had agreed to acquire 25% of Dawei Development Company (DDC). Max Myanmar is owned by one of Burma’s most influential businessmen, Zaw Zaw, whose has close ties to the government. Earlier Italian-Thai, had said it will maintain at least a 51% stake in DDC, but other partners are welcome. Work on the Dawei project in southern Burma has slowed drastically since a power plant designed to serve the area was cancelled in early January. *If this is true, Max Myanmar pulling out could put ITD in a difficult position in terms of political ties locally as well as financial contributions. ITD needs as much as USD 8 billion (THB 252 billion) over the next 3 years to develop infrastructure such as roads, railways, a port, a telecom network and utilities in Dawei, on the southwestern coast of Myanmar. Investors, however, feels the uncertainties surrounding after Burmese officials abruptly cancelled the construction of a 4,000 megawatt coal-fired power plant in the area on January 10, citing environmental concerns.*

Vietnam - Electricity Loss Estimated At \$310.4 Mln in Jan-May

Total electricity loss in the first five months of this year is estimated at VND6.5 trillion (\$310.4 million) in value, according to a recent report of the Electricity of Vietnam Group (EVN). The electricity loss in the period was over 5.3 billion kWh, or 11% of the total electricity production and purchase. The ratio exceeds the target of electricity loss ratio at 9.5% set by EVN for 2012. Vietnam’s electricity loss ratio is at high level compared to that in the Philippines, Singapore, Malaysia, Indonesia or Thailand which have the electricity loss ratio of about 4-5 percent, according Tran Viet Ngai, chairman of Vietnam Energy Association. The reasons were attributable to old transmission lines, overloading, locking connectors, distribution wires, and old substations. *Apparently, efforts to reduce the electricity loss fail to reach the government’s target. The Vietnamese government has set targets to reduce technical transmission and distribution losses from 10% in 2010 to 9% in 2015 and 8% in 2020, according to Asian Development Bank report. The National Power Transmission Corporation, the state-owned transmission company through Vietnam Electricity, is solely responsible for investment in and the construction, operation, and maintenance of the transmission network. So far, the country gets funding to expand the national power grid from Asian Development Bank, German Reconstruction Bank, Japan Bank for International Cooperation and the U.S. Exim Bank.*

Vietnam - Vietnam to Propose Oil, Gas Development With Japan

Vietnam's state oil and gas group Petrovietnam plans to invite Japanese firms to join it in the joint development of about 20 oil and gas blocks in the South China Sea, the Nikkei business daily said on Wednesday. Petrovietnam will hold a briefing session for Japanese firms in early July. Japanese firms will also be given a chance to invest in infrastructure projects, including oil refineries and coal-fired power plants, totaling \$24.8 billion, it said. A number of Japanese firms have been involved in energy projects in Vietnam, including JX Holdings and Idemitsu Kosan Co in the upstream sector. Japan's JX Nippon Oil and Energy, a unit of JX Holdings, has been also considering teaming up with Petrovietnam for the expansion plan of Vietnam's Dung Quat oil refinery. *Vietnam is one of the top-rank investment targets among Japanese investors. The number of deals with Vietnamese companies had increased by 80% in 2011 to 18, placing Japan in the 5th position in Asia. Regarding the Petrovietnam event, similar event was held in Tokyo in June last year. At the 2011 conference, the company offers 28 projects its owned together with its subsidiaries with total investment capital of roughly USD 24 billion in 6 sectors including Downstream, Power, Sea Port, Real Estate, Financial Investment and Floating Storage Offshore Facilities & Equipment.*

Cambodia - Banks Loans Grew 35% in 1Q12

Loans and deposits at Cambodia’s 31 commercial banks grew 35% and 25% respectively during the first quarter of the year on what insiders called increased soundness in the Kingdom’s financial sector. Outstanding loans at the end of March hit US\$4.6 billion, according to data from the National Bank of Cambodia. The banks held \$5.19 billion in deposits. “We have economic stability pushing more business activities, so the demand for loans is very high,” Ngoun Sokha, the NBC’s director general, said yesterday. “I noticed some improvement for loans in the real estate sector, as well as fast growing loans to the agricultural sector.” She expects Cambodia’s banking sector to maintain its current growth rate despite economic turbulence in Europe. “We have the trust of the public. And Asia will keep attracting more investment because we haven’t had any impact from the European crisis. This is why the sector continues to grow,” she said. *We believe loan growth in Indochina region would continue at a strong pace in the coming years from both strong demand for loans and the strong potential in expanding client bases. People in Cambodia, Lao PDR, and Vietnam still use less bank services than the regional average. Most of them use informal lending. According to the World Bank figures, only 4% of Cambodians had an account at a formal financial institution in 2011, compared with 27% in Lao PDR and 21% in Vietnam. The regional average was 55%.*

Lao PDR - Lao Agribusiness Set to Benefit From WTO Membership

Agribusiness can expect to get major cash injection when Laos joins the World Trade Organisation (WTO) at the end of this year, a senior official from the Lao National Chamber of Commerce and Industry (LNCCI) has said. The LNCCI Secretary General Mr Khanthavong Dalavong was optimistic that overseas businesses would invest in Lao agribusiness, in particular the cultivation of organic fruit and rice for export. He noted that global food prices are increasing rapidly. “Food is very important for everyone so overseas operations will invest in agribusiness so they can import food to their own countries,” he said. Mr Khanthavong said the government had amended a number of laws to encourage foreign investment in agribusiness. The government has also improved its import and export regulations in line with WTO requirements. He also said the LNCCI was providing information for Lao business operators about WTO regulations so they could gain the most benefit from the trading opportunities that would open up. *We believe joining WTO will be a solid milestone for Lao PDR. However, there are more challenges ahead. The government has to give higher importance to the quality standard of its export produces in order to expand the markets among WTO members. Moreover, Lao needs to improve its productivity. Limitations of Laos’ agricultural sector are the inadequate development of irrigation, limited application of science and technology in cultivation and breeding, which result in low output. Lao’s major agriculture export items are coffee, maize and non-rice crops and vegetables.*