

Thursday June 14, 2012

The Market

VN Index Traded in a Choppy Sideways; LSX & CSX Unchanged for the Second Day

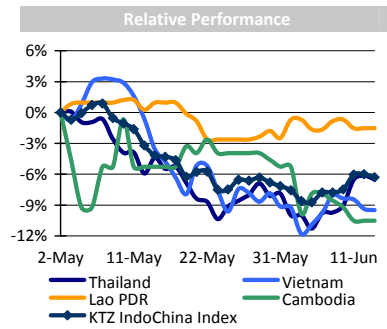
VN Index traded in a choppy sideways range between 425-430 level to end at 427.61, down 0.13% on Wednesday while turnover was moderated at VND 1.44 trillion (USD 69 million), up 72% from Tuesday's level. Foreign investors remained the net sellers for the eighth consecutive day at VND 82.6 billion (USD 3.9 million). During the last eight days, net foreign selling stood at a hefty VND 642.8 billion (USD 30.7 million). Some blue chips managed to stay afloat i.e. Masan Group (MSN), Vietinbank (CTG), PetroVietnam Gas (GAS), adding 1%, 0.93%, and 0.28% respectively.

LSX Index was flat for the second day at 1,006.77 with low turnover of LAK 81.9 million (USD 10,200). Meanwhile, CSX Index was also unchanged for the second day at 731.18. Its turnover was relatively low at KHR 124.4 million (USD 30,400).

Indochina stock markets was flat in line with regional peers on Sunday's Greek election worry, overshadowing Fed's Evans comment which stoked hopes on additional easing from Fed's meeting next week. We believe the markets will move sideways on lack of positive catalysts while foreign fund outflows continue to pressure the market.

The News

- **Lao PDR** - Lao Stock Market to Begin Online Trading in August
- **Lao PDR** - Hydropower Development Is Growing Rapidly
- **Myanmar** - Telecom Industry Promote Public Private Partnerships at Singapore Conference
- **Vietnam** - Vietnam to Restructure All Ailing Banks within June 2012
- **Cambodia** - China May Fund Cambodia-Vietnam Rail



Source: Bloomberg as of June 13

	Last	Chg	(%)
FTSE ASEAN	533	+2	+0.3
Singapore	2,787	-10	-0.4
Thailand	1,158	-5	-0.4
Malaysia	1,576	+0	+0.0
Indonesia	3,860	+8	+0.2
Philippines	5,110	+34	+0.7
Vietnam	428	-1	-0.1
Lao PDR	1,007	0	0.0
Cambodia	731	0	0.0

Source: Bloomberg as of June 13

Per USD	Last	Chg	(%)
Baht	31.58	-0.10	-0.32
Dong	20,955	+15.00	+0.07
Kip	8,014.00	-4.00	-0.05
Riel	4,092.95	-43.60	-1.05
Kyat	842.81	-5.30	-0.62

Per Baht	Last	Chg	(%)
Dong	664.19	+3.20	+0.48
Kip	253.89	+0.80	+0.31
Riel	128.00	0.00	0.00
Kyat	26.70	-0.07	-0.26

Source: Bloomberg as of June 13

Upcoming Market Holiday:

Cambodia

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

Thanawat Patchimkul
Global Strategist
Email: thanawatp@ktzmico.com
Tel: + 66 2 695 5451
Assisted by
Denruthai Krishnamra

Lao PDR - Lao Stock Market to Begin Online Trading in August

The Lao Securities Exchange (LSX) expects to allow people to purchase and sell stocks over the internet in August, after being unable to offer online trading in the first quarter of this year. "The online service will take effect in August. We are ready to offer this service now but we have to wait for some legal documents," LSX Chairman and CEO Assoc. Prof. Dethphouvang Moularat said yesterday. He added that the online trading regulations must be ready before the market can offer the home trading system. The LSX signed an agreement with Korea Telecom last month to purchase, install and maintain IT equipment as part of its infrastructure preparation for online trading. Under the agreement, the Korean telco will also train stock market staff so they can use the equipment to boost the efficiency of stock trading in Laos. The Lao Securities Exchange signed an MOU with Enterprise of Telecommunications Lao (ETL) Public Company earlier this year to develop the infrastructure necessary to operate the Home Trading System via the Internet. *We believe this is a solid milestone for the Lao Securities Exchange in offering the Internet Trading System. The new system will improve trading efficiency and should attract more investors into the markets, particularly foreign investors. We believe that its currently low trading liquidity would improve should the LSX has more listed companies joining the bourse.*

Lao PDR - Hydropower Development Is Growing Rapidly

Despite the fact that hydropower is developing rapidly in Laos, the country's power plants represent a miniscule share of the 2.2% generated worldwide, an official from the Ministry of Energy and Mines' Institute of Renewable Energy Promotion said yesterday, according to a domestic press Vientiane Times. Hydropower development in Laos is growing rapidly, and it is estimated that there is the technical potential to develop around 26,000 megawatts (MW) in total, without taking into account the small scale hydropower sites below 15MW, which have an estimated potential of around 2,000MW on their own. Deputy Minister of Energy and Mines Mr Khammany Inthirath said recently that Laos currently has 16 hydropower plants with an installed capacity of 2,559.7MW, which have the potential to generate 12,821 million kWh of electricity per year. Laos also has 37 small-scale hydropower plants, which have installed capacities not exceeding 1MW that have a total generation capacity of 6.59MW annually. "By 2015 we will attempt to build enough hydropower plants to give Laos an installed capacity of 3,856MW, and produce around 19,184 million kWh of electricity per year," Mr Khammany said. *We believe Lao is in a strategic location for exporting electricity to its neighboring countries. Demand for electricity in Thailand, Vietnam, and China has been growing very rapidly and they need to import electricity for domestic uses. Thailand is buying over 5,000MW from Laos under a bilateral agreement in which the maximum amount of electricity to be traded is set at 7,000MW.*

Myanmar - Telecom Industry Promote Public Private Partnerships at Singapore Conference

U KYAW SOE a senior official from Myanmar Ministry of Communications, Posts & Telegraphs will speak at the 6th Myanmar Business Conference on plan to invite private participation to modernise the telecommunication industry. The 6th Myanmar Business Conference on 16 & 17 July 2012 in Singapore will have 10 Key Myanmar officials speaking on Foreign Investment laws, Condominium laws, legal aspects of doing business in Myanmar, update on Investment climate and opportunities in the specific industries. *We believe Myanmar telecom sector has strong growth potential given that its over 60 million people are mostly unreached by telecom services. Mobile penetration rate is estimated to be less than 5% and fixed line of less than 3%. Myanmar is considering plans to open its under-developed telecommunications market to large-scale foreign investment. New communications law is being studied to create four new telecommunications licenses in the country, with the licenses available both to local and foreign investors. Currently, foreigners are not allowed to hold telecom licenses in Myanmar.*

Vietnam - Vietnam to Restructure All Ailing Banks within June 2012

The State Bank of Vietnam (SBV) plans to restructure all 9 weak commercial banks within this month, the SBV Governor Nguyen Van Binh said in a report to the National Assembly last Friday, according to a local newswire TTVN.vn. The central bank has conducted comprehensive inspection, independent audit on all ailing lenders and prepared restructuring plans for each of them. The government has already approved plans to restructure two weak banks, said the SBV Governor, adding that the central bank will submit to the government plans to restructure 2 banks in each remaining week of June. *We believe it would be faster and more effective should Vietnam raises foreign ownership limit from 20% currently to a higher level together with allowing strategic partners to manage the banks. At the end of September 2011, 17 out of 42 banks could not meet the central bank's capital adequacy ratio, which is 9%, according to the National Financial Supervisory Commission. In April, Hanoi Building Commercial Joint Stock Bank (Habubank or HBB) announced its plan to merge with Saigon-Hanoi Commercial Joint Stock Bank (SHB). The deal is now approved by SBV. In December last year, Saigon Commercial Bank (SCB), Vietnam Tin Nghia Bank (TinNghiaBank), First Commercial Bank (Ficombank) merged into one entity named SCB so called Sacombank.*

Cambodia - China May Fund Cambodia-Vietnam Rail

Cambodia was in discussions with the Chinese government on funding for a 250-kilometre stretch of rail line between Phnom Penh and Vietnam, in what Cambodian officials yesterday called a move away from a "complicated" Asian Development Bank loan. Va Sim Sorya, director general at the Ministry of Public Works and Transportation, said the government could do without the requirements tagged to ADB loans, and fund the project with up to US\$600 million in Chinese backing. "China doesn't have so many conditions, but Chinese technicians are still well-studied," he said without specifying which conditions were undesirable. Interest rates on ADB concessional loans averaged an annual 1.32% after grace periods, according to data compiled by NGO Forum for Cambodia last year. China's concessional lending held the highest rates from any institution or country at an average 1.83% per year. The announcement from the government met with strong opposition from Sam Rainsy Party lawmaker Son Chhay, saying Chinese companies have built low-quality roads and other infrastructure at higher interest rates. *A feasibility study released last year shows it will cost at least US\$686 million for construction, which does not include resettlement compensation to residents who have to leave their homes to make way for the line. The railway will be part of an intra-Asian railway that runs from Singapore to China via Malaysia, Myanmar, Thailand, Laos, Cambodia and Vietnam. It will be the first time that Cambodia will have a rail way link with Vietnam. We believe the rail link could bring huge economic benefits to Cambodia, especially in agriculture and mineral exploitation.*