

Friday June 15, 2012

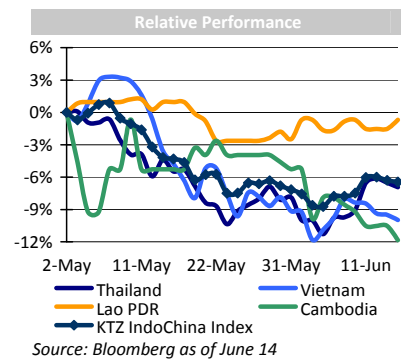
The Market

VN Index Flat; LSX Up on Optimism Over Upcoming Online Trading; CSX Continue to Fall

VN Index declined for the fifth consecutive day to close at 425.28, down 0.54% on Thursday. The turnover dropped to VND 766.9 billion (USD 36.5 million) while foreign investors remained the net sellers for the ninth consecutive day at VND 93 billion (USD 4.4 million).

LSX Index was up 0.84% for the first time this week to close at 1,015.25, with the highest turnover since the end of May at LAK 769 million (USD 95,900) after Vientiane Times reported that LSX will offer online trading in August. The news fuelled optimism on improving market liquidity going forward. EdL Gen led the market, up 1.03% to close at LAK 4,900 while BCEL was unchanged at LAK 6,900. Meanwhile, CSX Index fell 1.47% to close at 720.43 with low turnover at KHR 176 million (USD 43,000).

Lao market remains attractive to foreign investors as seen from their net buying of around LAK 453 million (USD 56,500) so far in June. In contrast, Vietnam and Cambodia stock markets experience a foreign capital outflow of VND 609 billion (USD 29 million) and KHR 2.5 billion (USD 600,000), respectively. VN Index has fallen only 0.9% since the beginning of June. Despite the market moving sideways, several blue chip stocks held up well. PetroVietnam Construction (PVX), Vietinbank (CTG) and Developer Vingroup (VIC) rose 8.2%, 3.8%, and 2.7% respectively month to date. Amidst the bank restructuring in Vietnam, we believe the healthy bank, Vietinbank in particular, poises to a gain after S&P lift its rating outlook to stable from negative.



	Last	Chg	(%)
FTSE ASEAN	527	-6	-1.1
Singapore	2,774	-13	-0.5
Thailand	1,153	-5	-0.4
Malaysia	1,571	-5	-0.3
Indonesia	3,792	-69	-1.8
Philippines	5,021	-89	-1.7
Vietnam	425	-2	-0.5
Lao PDR	1,015	+8	+0.8
Cambodia	720	-11	-1.5

Source: Bloomberg as of June 14

Per USD	Last	Chg	(%)
Baht	31.57	-0.01	-0.03
Dong	20,950	-5.00	-0.02
Kip	8,010.00	-4.00	-0.05
Riel	4,091.80	-1.15	-0.03
Kyat	841.69	-1.13	-0.13

Per Baht	Last	Chg	(%)
Dong	664.26	+0.08	+0.01
Kip	253.88	-0.01	-0.00
Riel	128.00	0.00	0.00
Kyat	26.68	-0.02	-0.09

Source: Bloomberg as of June 14

The News

- **Thailand** - Thai PTTEP to Invest \$2.6 Billion in SE Asia, Looks At M&A
- **Vietnam** - Vietnam to Buy Electricity from China at VND1,300/kWh in 2012: MOIT
- **Myanmar** - Coke to Enter Myanmar for First Time in 60 Years
- **Cambodia** - Cathay United Bank Plans to Buy Stake in Cambodia Counterpart
- **Cambodia** - Telecom Still Vie for Subscribers

Upcoming Market Holiday:

Cambodia

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

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Thailand - Thai PTTEP to Invest \$2.6 Billion in SE Asia, Looks At M&A

Thailand's top oil and gas explorer, PTT Exploration and Production Pcl, plans to invest \$2.6 billion in Southeast Asia over the next 5 years, mainly in Myanmar, and is on track to triple its production to 900,000 barrels per day by 2020. PTTEP, which has been in a bidding war with Royal Dutch Shell for London-listed Cove Energy, expects mergers and acquisitions to contribute 150,000 barrels per day (bpd) towards that target, CEO Tevin Vongvanich said. "We will invest more than \$2 billion in Myanmar, mainly in Zawtika and exploration in deep-sea fields, which needs a lot of money," Tevin said, adding that Southeast Asia accounts for 22% of its five-year budget of \$12 billion. He said the company expected to seek more than \$10 billion in funding to boost its production to 500,000 bpd by 2016, a key milestone in achieving its output goal. *PTTEP has just signed a petroleum sharing contract for two onshore petroleum blocks in the Central Myanmar Basin, west of Naypyidaw, with the Myanmar government earlier this week. PTTEP currently has five exploration and production projects in Myanmar. The company has been actively looking to buy more oil & gas assets overseas to support its growth.*

Vietnam - Vietnam to Buy Electricity from China at VND1,300/kWh in 2012: MOIT

Vietnam will have to buy electricity from China at 6.08 cent/kWh or VND1,300/kWh this year, up from 5.8 cent/kWh one year earlier, according to the Minister of Industry and Trade (MOIT). Vietnam has been purchasing electricity from China since 2004 and has imported about 5 billion kWh each year. In the first five months of this year, the country has bought more than 1.16 billion kWh, according to the MOIT's data. Meanwhile, the country currently purchases electricity generated from small hydropower plants at about VND800-900/kWh, from coal-fired power plants at around VND1,280-1,300/kWh and from oil power plants at VND5,500-6,000/kWh. *Vietnam has been relying on hydropower which often incurs power shortage during the dry season. Numbers of small and medium-sized hydropower producers have been complaining that the Electricity of Vietnam (EVN) buys their electricity at very low prices. Moreover, Vietnam also faces high level of electricity losses as high as 11% compared with the average of 5%. Going forward, Vietnam plans to deploy 1,097 hydropower projects with a capacity of 24,000 MW. The country has completed and put into operation 195 projects with capacity of 12,000 MW, representing 35% of national electricity production.*

Myanmar - Coke to Enter Myanmar for First Time in 60 Years

Coca-Cola is planning to begin doing business in Myanmar, one of just three countries – along with North Korea and Cuba – where the US beverage group does not operate. The world's largest beverage company by revenues said on Thursday that once the US government gives it a general license to do business there, it will begin making "significant" investments across the country during the next three to five years. Coke also said that its charitable arm would make a USD 3 million investment to promote employment among women across Myanmar. The move comes as Myanmar's new government has been moving quickly to liberalise its economy after decades of oppressive military rule and looking to lure western companies to make investments. Coca-Cola said its products will initially be imported from neighboring countries as it establishes local operations in Myanmar. *We believe Thailand would benefit from increasing import demand of the beverage from Myanmar once Coca-Cola begins to penetrate the market there. We believe multinational corporations will use Thailand as their base before jumping into Myanmar. GE, Caterpillar, Telenor, Alcatel are all expresses their keen interests to enter the market.*

Cambodia - Cathay United Bank Plans to Buy Stake in Cambodia Counterpart

Cathay United Bank, the banking arm of Cathay Financial Holding Co., has agreed to acquire a 70% stake in a Cambodia bank, the financial holding company said Thursday. With the acquisition, Cathay United Bank will become the largest shareholder in Singapore Banking Corp. Ltd. (SBC Bank), while the original Singaporean investors will retain the remaining 30% stake, Cathay Financial said. SBC Bank, which was set up in 1993, currently operates 16 offices in Cambodia, including in the capital Phnom Penh, according to Cathay Financial. After the acquisition, Cathay United Bank will have the largest service network in Cambodia among all Taiwanese banks. In addition, SBC will be Cathay United Bank's second subsidiary in Southeast Asia, the first having been established in Vietnam. The acquisition is expected to help Cathay United Bank provide better services to Taiwanese investors operating in Cambodia and even in Vietnam. *We believe the M&A trend among the Indochina financial institutions will rise in the coming years, particularly in Vietnam. Once the Asean Economic Community (AEC) begin opening up their markets in 2015, the free flows of goods and services would increase the banking activities. Numbers of regional banks in Singapore and Malaysia have been actively expanding their reach across Indochina via M&A.*

Cambodia - Telecom Still Vie for Subscribers

The battle for subscriber numbers rages on in the still-clustered Cambodian mobile market. Smart Mobile this week announced it passed the 3 million-subscriber mark, which would make it Cambodia's second-largest operator by subscriber numbers after Vietnam's Metfone. According to Phnom Penh Post, Mobitel's Cellcard has 2.9 million users in 2011. National user numbers, which surpassed the country's population late last year, are more a count of connections rather than of actual subscribers, and subject to quick user turnover, analysts said. Smart's new numbers show a more than 1 million-user jump since January. *According to the latest data, Cambodia had 14.96 million subscribers in November 2011 out of its 14.7 million people. Metfone, Cellcard, Hello Axiata and Smart Mobile account for more than 90% of the Cambodian market by subscriber numbers. Many business insiders said that the subscriber numbers are not reliable. Some of the expert said the subscribers could mean the connections.*